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SAN FRANCISCO PORT COMMISSION

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Kimberly Brandon, Vice President
Willie Adams, Commissioner
Leslie Katz, Commissioner

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Phone: 415-274-0406; Fax 415-274-0412

AGENDA

TUESDAY, SEPTEMBER 11, 2012

2:00 P.M. CLOSED SESSION

3:15 P.M. OPEN SESSION

PORT COMMISSION HEARING ROOM, SECOND FLOOR
FERRY BUILDING, SAN FRANCISCO CA 94111

PLEASE NOTE THE DATE & TIME OF THE MEETING

The Port Commission Agenda as well as Staff Reports/Explanatory Documents available to the public and provided to the Port Commission are posted on the Port's Website at www.sfport.com. The agenda packet is also available at the Pier 1 Reception Desk. If any materials related to an item on this agenda have been distributed to the Port Commission after distribution of the agenda packet, those materials are available for public inspection at the Port Commission Secretary's Office located at Pier 1 during normal office hours.

1. CALL TO ORDER / ROLL CALL
2. APPROVAL OF MINUTES – August 14, 2012
3. PUBLIC COMMENT ON EXECUTIVE SESSION
4. EXECUTIVE SESSION

A. Vote on whether to hold closed session.

GOVERNMENT
DOCUMENTS DEPT

SEP - 7 2012

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An Executive Session has been calendared to discuss the following matters:

- (1) CONFERENCE WITH LEGAL COUNSEL REGARDING EXISTING LITIGATION MATTERS (Discussion)

Discuss existing litigation matters pursuant to California Government Code Section 54956.9(a) and San Francisco Administrative Code Section 67.10(d):

- a. *Ferry Building Investors, LLC and Ferry Building Associates, LLC v. San Francisco Port Commission; Board of Supervisors of the City and County of San Francisco, et al.*; Superior Court of California, County of San Francisco (Case No. CPF 12-512355), filed July 20, 2012.
- b. *Neighbors to Preserve the Waterfront; Friends of Golden Gateway; and San Franciscans for Reasonable Growth v. City and County of San Francisco; Planning Department of the City and County of San Francisco; Port Commission of the City and County of San Francisco; Board of Supervisors of the City and County of San Francisco, et al.*; Superior Court of California, County of San Francisco (Case No. CPF 12-512356), filed July 23, 2012.

(2) CONFERENCE WITH LEGAL COUNSEL AND REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8. ***This session is closed to any non-City/Port representative:**

- a. Property: AB 8719, Lot 002, also known as Seawall Lot 337, AB 9900, Lot 62, also known as China Basin Park, and AB 9900, Lot 048 and AB 9900, Lot 048H, also known as Pier 48 (all bounded generally by China Basin, the San Francisco Bay, Mission Rock Street, and Third Street)
Person Negotiating: Port: Byron Rhett, Deputy Director, Planning & Development
*Negotiating Parties: Jack Bair, SWL 337 Associates, LLC

Under Negotiations: ____ Price ____ Terms of Payment ☒ Both
Pursuant to Resolution No. 10-32, the Port Commission awarded to the non-Port party an exclusive negotiation agreement with the Port for the lease and development of the property. In this executive session, the Port's negotiator seeks direction from the Port Commission on rent structure, financing mechanisms and other factors affecting the form, manner and timing of payment of the consideration for the lease and development of the property. The executive session will enable the Port Commission to develop a negotiating strategy tailored to maximize the City's return based on these factors. In particular, the executive session discussions will enhance the capacity of the Port Commission during its public deliberations and actions to set the price and payment terms that are most likely to maximize the benefits to the Port, the City and the People of the State of California.

- b. Property: Pier 28½, submerged Bay lands and portions of the shoreline at the foot of 23rd Street; portions of Custer Avenue, Evans Avenue, Davidson Avenue and Ingalls Street; and Pacific Gas & Electric owned parcels Block 4120 Lot 2 and Block 4110 Lot 8a near 22nd and Illinois Street.

Person Negotiating: Port: Byron Rhett, Deputy Director, Planning and Development and Brad Benson, Special Projects Manager
*Negotiating Parties: Developer: Pacific Gas & Electric: Darin Polsley

Under Negotiations: ___ Price ___ Terms of Payment X Both
PG&E has proposed to construct a new, single circuit transmission line between its Embarcadero Substation and its Potrero Substation to increase reliability of electric service to downtown San Francisco and provide operational flexibility. A portion of the line is proposed to be constructed on property owned by the Port pursuant to a license agreement between the Port and PG&E. In this executive session, the Port's negotiator seeks direction from the Port Commission regarding the price and terms of payment for PG&E's use of the Port's property. In particular, the executive session discussions will enhance the capacity of the Port Commission during its public deliberations and actions to set the price and payment terms that are most likely to maximize the benefits to the Port, the City and the People of the State of California and/or to more effectively negotiate the price and payment terms. In addition, the Port negotiator seeks direction about whether the disposition of Port-owned paper streets (Custer Avenue, Evans Avenue, Davidson Avenue & Ingalls Street) in the vicinity of the former Hunter's Point Power Plant and PG&E owned parcels at the intersection of 22nd and Illinois Streets (Assessor's Blocks 4120 lot 2 and 8a) should be included in the negotiation, potentially as a form of compensation.

- c. Property: Various locations on Port property including portions of Pier 70 and SWL 337

Person Negotiating: Port: Brad Benson, Special Projects Manager
*Negotiating Parties: San Francisco Public Utilities Commission:
Barbara Palacios

Under Negotiations: ___ Price ___ Terms of Payment X Both
An executive session has been calendared to give direction to staff regarding price and/or terms of payment for the potential lease of a portion of SWL 337 or Pier 70 for a recycled water plant. In this executive session, the Port's negotiator seeks direction from the Port Commission regarding the price and terms of payment for PUC's use of the Port's property. In particular, the executive session discussions will enhance the capacity of the Port Commission during its public deliberations and actions to set the price and payment terms that are most likely to maximize the benefits to the Port, the City and the People of the State of California and/or to more effectively negotiate the price and payment terms.

5. RECONVENE IN OPEN SESSION

- A. Possible report on actions taken in closed session pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67-12.

- B. Vote in open session on whether to disclose any or all executive session discussions pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

6. ANNOUNCEMENTS

- A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting:

Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.

- B. Announcement of Time Allotment for Public Comments:

Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

7. EXECUTIVE

- A. Executive Director's Report

- America's Cup Regatta – August 22-26, 2012
- California Coastal Clean-Up Day - September 15, 2012
- Piers 30-32/SWL 330 Citizens Advisory Committee – September 18 & October 4, 2012 at 5:30 p.m. at Pier 1
- SWL 337 Development Project Public Workshop on Land Use Proposal – September 22, 2012 at 10 a.m.

8. CONSENT

- A. Request approval of Lease No. L-15169 with Autodesk, Inc. a Delaware corporation, for approximately 8,391 square feet of office space and unimproved shed space located at Pier 9 at the foot of Broadway and The Embarcadero for a term of 66 months. (Resolution No. 12-64)
- B. Request authorization to accept and expend \$1.3 million in 'Prop K' grant funds from the San Francisco County Transportation Authority for the demolition and removal of Pier ½. (Resolution No. 12-65)

9. PLANNING & DEVELOPMENT

- A. Request authorization to issue a Request for Proposals (RFP) for a Cruise Terminal Passenger Operations, Parking and Special Events Management

Agreement at the Pier 27 James R. Herman Cruise Terminal, located at Lombard Street and The Embarcadero. (Resolution No. 12-66)

- B. Informational presentation on the Request for Proposals for a Master Tenant Opportunity at Pier 38 located at Delancey Street and The Embarcadero.
- C. Informational update on status of Port infrastructure work, tenant relocation and other Port obligations under the Lease Disposition Agreement in preparation for the 34th America's Cup Events in 2012 and 2013.

10. REAL ESTATE

- A. Informational update on the Port's Real Estate Revenues.

11. MARITIME

- A. Request approval for Executive Director or her designee to finalize negotiations for five year landing rights agreements for water transport services between Hyde Street Harbor, Pier 1½, and South Beach Harbor between the Port and:
1) San Francisco Water Taxi Company operating a scheduled service between sites; and 2) Tideline Marine Group operating an as-needed, on-call/inducement service between the same facilities. (Resolution No. 12-68)

12. FINANCE & ADMINISTRATION

- A. Request acceptance of material changes to the Port's Biennial Operating and Capital Budgets for Fiscal Years 2012/13 and 2013/14 and approval of the expenditure of \$1 million to purchase engineering work from the America's Cup Event Authority. (Resolution No. 12-69)
- B. Accept the Port's Report on Contracting Activities for Fiscal Year 2011-12 (July 1, 2011 through June 30, 2012)

13. NEW BUSINESS

14. PUBLIC COMMENT

Public comment is permitted on any matter within Port jurisdiction and is not limited to agenda items. Public comment on non-agenda items may be raised during New Business/Public Comment. A member of the public has up to three minutes to make pertinent public comments before action is taken on any agenda item and during the new business/public comment period. It is strongly recommended that public comments be submitted in writing so they can be distributed to the Commissioners for their review. Please fill out a speaker card and hand it to the Commission Secretary. If you have any question regarding the agenda, please contact the Commission Secretary at 274-0406.

15. ADJOURNMENT



FORWARD CALENDAR (Targeted Commission Meeting, Subject to Change)

- Informational presentation on People Plan for Fleet Week and America's Cup World Series (September 25, 2012)
- Informational presentation of public process to carry out San Francisco Bay Conservation and Development Commission (BCDC) planning studies as required by BCDC Special Area Plan Amendment for the Pier 27 Cruise Terminal and Northeast Wharf and 34th America's Cup Projects (September 25, 2012)
- Informational presentation on the progress from plans to projects for the 69-acre Pier 70 site, located near the intersection of 20th and Illinois Streets (September 25, 2012)
- Fisherman's Wharf Public Realm Plan and reconstruction of two blocks of Jefferson Street – Request approval of resolutions (1) review and adopt Final Amended Mitigated Negative Declaration, (2) approve the redesign of Jefferson Street as shown in the concept design for the Fisherman's Wharf Public Realm Plan and as proposed for construction by the Department of Public Works, (3) delegate tree removal issues arising in the Fisherman's Wharf Public Realm Plan project to the Department of Public Works consistent with the City's Public Works Code, and (4) approve relocation of a J.C. Decaux kiosk near Hyde Street (September 25, 2012)
- Request authorization to expand Foreign Trade Zone No. 3 Alternative Site Framework (ASF) Service Area to include additional Bay Area Counties and to amend Foreign Trade Zone No. 3 Zone Schedule (tariff) (September 25, 2012)
- Request approval of a proposal by the Black Rock Arts Foundation to extend the Port Commission approved temporary installation of public art located near Mission Street on the east side of The Embarcadero, on the plaza between the Agriculture Building and Pier 14, by seven months until May, 2013, with option for a further six month extension (September 25, 2012)
- Request approval of annexation of Pier 1 leasehold to City GreenFinanceSF financing district (for Pier 1 solar project) (September 25, 2012)
- Request approval of Fiscal Year 2012-13 and 2013-14 Executive Director Salary (September 25, 2012)
- Informational presentation on Forest City's proposed "Principles of Place" for Pier 70 (October 9, 2012)
- Request approval of Term Sheet with Orton Development Inc. for rehabilitation of the Pier 70 20th Street Historic Buildings (20th Street east of Illinois Street) (October 9, 2012)
- Request authorization to advertise for Request for Proposals for hazardous waste disposal services (October 9, 2012)
- Request approval of new structure for South Beach Harbor Berthing Rates and Parking Management (October 9, 2012)
- Informational presentation on the status of the Port's Blue Greenway projects (October 23, 2012)
- Informational presentation on Forest City's proposed plan for the Pier 70 Waterfront Site (November 13, 2012)
- Request authorization to advertise for competitive bids for the Pier 50 Maintenance Storage Shed, Contract No. 2750 (November 13, 2012)
- Informational presentation on Forest City's proposed term sheet for the Pier 70 Waterfront Site (December 11, 2012)



- Informational presentation on the status of yellow tagged Port facilities (January 2013)
- Request Port Commission's endorsement of the term sheet with Forest City for the Pier 70 Waterfront Site (January 2013)
- Informational presentation on the San Francisco Fire Department Earthquake Safety and Emergency Response Bond Improvement Project at Pier 22½ (Date to be Determined)
- Request approval to enter into agreements with the San Francisco Municipal Transportation Agency and the regional bike share program operator to use Port property for the Bay Area Regional Bike Share Pilot Program (Date to be determined)
- Request approval of resolution recommending that the Board of Supervisors form a City and County Infrastructure District No. 2 and adopt the Infrastructure Financing Plan included in Appendix C which will capture tax increment from the Seawall Lot 351 project (commonly known as the 8 Washington Street project) for site open space improvements, the Cruise Terminal project, under-pier utilities and pier substructure repairs; and authorizing the Port's Executive Director to enter into a Memorandum of Understanding with the City and County of San Francisco acting through the Controller's Office to implement the District (Date to be determined)
- Request authorization to award As-Needed Engineering and Related Professional Services (Date to be determined)
- Request approval of Federal Cost Sharing Agreement between the Port of San Francisco and the U.S. Army Corps of Engineers for study of the Central Basin Dredge Project (Date to be determined)

COMMUNICATIONS TO THE PORT COMMISSION
FROM AUGUST 10 to SEPTEMBER 6, 2012

- From Dennis MacKenzie, Round the Diamond, regarding Golden State Warriors Basketball Arena & Multi-Purpose Facility Collaboration
- From Jesus Ramos, regarding South Beach Harbor
- From Barry Hanson, Advocates for South Beach Harbor, regarding South Beach Harbor
- From Tom and Barbara Keegan, regarding South Beach Harbor

SEPTEMBER/OCTOBER 2012
CALENDAR OF UPCOMING PORT MEETINGS – OPEN TO THE PUBLIC

DATE	TIME	GROUP	LOCATION
SEPT. 25	2:00 p.m. Closed Session	Port Commission	Port Commission Hearing Room @ the Ferry Bldg.
	3:15 p.m. Open Session	Port Commission	Port Commission Hearing Room @ the Ferry Bldg.
OCT. 9	2:00 p.m. Closed Session	Port Commission	Port Commission Hearing Room @ the Ferry Bldg.
	3:15 p.m. Open Session	Port Commission	Port Commission Hearing Room @ the Ferry Bldg.
OCT. 23	2:00 p.m. Closed Session	Port Commission	Port Commission Hearing Room @ the Ferry Bldg.
	3:15 p.m. Open Session	Port Commission	Port Commission Hearing Room @ the Ferry Bldg.

NOTES:

The San Francisco Port Commission meets regularly on the second and fourth Tuesday of the month at 3:15 p.m., unless otherwise noticed. The Commission Agenda and staff reports are posted on the Port's Website @ www.sfport.com. The Port Commission meetings can be viewed online at http://sanfrancisco.granicus.com/ViewPublisher.php?view_id=92. The Port Commission meetings are also broadcasted on the 2nd & 4th Thursday of the month at 9 p.m. on Comcast Cable Channel 26 or Astound Cable Channel 78 (formerly RCN Cable). Contact Amy Quesada at 274-0406 or amy.quesada@sfport.com

The Fisherman's Wharf Waterfront Advisory Group (FWWAG) meets regularly on a bi-monthly basis, on the third Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Rip Malloy @ 274-0267 or rip.malloy@sfport.com

The Maritime Commerce Advisory Committee (MCAC) meets every other month, on the third Thursday of the month, from 11:30 a.m. to 1:00 p.m. @ Pier 1. Contact Jim Maloney @ 274-0519 or jim.maloney@sfport.com

The Mission Bay Citizens Advisory Committee meets on the second Thursday of the month at 5:00 p.m. in the Creek Room at Mission Creek Senior Building located at 225 Berry Street in San Francisco (along the Promenade just beyond the library.) Contact Catherine Reilly at the former Redevelopment Agency @ 749-2516 or catherine.reilly@sfgov.org

The Northeast Waterfront Advisory Group (NEWAG) meets regularly on a bi-monthly basis on the first Wednesday of the month from 5:00 p.m. to 7:00 p.m. in the Bayside Conference Room @ Pier 1. Contact Jonathan Stern @ 274-0545 or jonathan.stern@sfport.com

The Central Waterfront Advisory Group (CWAG) meets monthly on an as-needed basis, generally on the third Wednesday of the month from 5 to 7 p.m. in the Bayside Conference Room at Pier 1. Contact Mark Paez @ 705-8674 or mark.paez@sfport.com

The Southern Waterfront Advisory Committee (SWAC) meets every last Wednesday of the month from 6:15 to 8:15 p.m. Location to be determined. Contact David Beaupre @ 274-0539 or david.beaupre@sfport.com

The Waterfront Design Advisory Committee (WDAC) meets jointly with the Design Review Board of the Bay Conservation and Development Commission on the first Monday of the month at BCDC, 50 California Street, Rm. 2600, at 6:30 p.m. The Committee meets as needed on the fourth Monday of the month at 6:30 p.m. in the Bayside Conf. Rm. @ Pier 1. Contact Dan Hodapp @ 274-0625 or dan.hodapp@sfport.com

ACCESSIBLE MEETING INFORMATION POLICY

FERRY BUILDING:

The Port Commission Hearing Room is located on the second floor of the Ferry Building. The main public entrance is from the west (Embarcadero) side and is served by a bank of elevators adjacent to the historic staircase. Accessible public restrooms are on the first floor at the northeast end of the building as well as on the second floor across the lobby from the Port Commission Hearing Room. The main path of travel to the Port Commission Hearing Room is equipped with remote infrared signage (Talking Signs). The Port Commission Hearing Room is wheelchair accessible. Accessible seating for persons with disabilities (including those using wheelchairs) is available. The closest accessible BART and MUNI Metro station is Embarcadero located at Market & Spear Streets. Accessible MUNI lines serving the Ferry Building area are the F-Line, 9, 31, 32 and 71. For more information about MUNI accessible services, call (415) 923-6142. The nearest accessible parking is provided in the following off-street pay lots: 3 spaces in the surface lot on the west side of the Embarcadero at Washington Street.

Hourly and valet parking is available in the Pier 3 lot. This lot is accessed through the Pier 3 bulkhead building entrance on the east side of the Embarcadero. This lot is located on the pier deck; adjacent to the ferry boat Santa Rosa. Additional covered accessible off-street pay parking is available in the Golden Gateway Garage, which is bounded by Washington, Clay, Drumm and Battery Streets. Entrance is on Clay St. between Battery and Front Streets. There is no high-top van parking. Metered street parking is available on the Embarcadero, Washington, Folsom & Drumm Streets.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

A sign language interpreter and alternative format copies of meeting agendas and other materials can be provided upon request made at least 72 hours in advance of any scheduled meeting. Contact Wendy Proctor, Port's ADA Coordinator, at 274-0592, the Port's TTY number is (415) 274-0587.

Know Your Rights Under the Sunshine Ordinance:

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Sections 67.1 et seq. of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Chris Rustom by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102-4689; by phone at (415) 554-7724; by fax at (415) 554-7854 or by email at soff@sfgov.org. Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Mr. Rustom or by printing Sections 67.1 et seq. of the San Francisco Administrative Code on the Internet, at <http://www.sfgov.org/sunshine>.

NOTICES

Prohibition of Ringing of Sound Producing Devices:

The ringing of and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic device.

Lobbyist Registration and Reporting Requirements:

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Government Conduct Code Sections §2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness, Suite 3900, San Francisco, CA 94102, phone (415) 581-2300 or fax (415) 581-2317; web site: www.sfgov.org/ethics.



MEMORANDUM

September 6, 2012

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz

FROM: Monique Moyer *M Moyer*
Executive Director

SUBJECT: Request Approval of Lease No. L-15169 ("Lease") with Autodesk, Inc. a Delaware corporation ("Autodesk"), for approximately 8,391 square feet of office space and unimproved shed space located at Pier 9 (the "Premises") at the foot of Broadway and The Embarcadero for a term of 66 months

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

This item was presented as an informational item at the August 14, 2012 Port Commission meeting and is now before the Port Commission for approval to execute a Lease with Autodesk.

In the ensuring month, Port staff and Autodesk have continued to negotiate Lease terms. Below is a summary of material differences between the proposed Lease and the Port's form lease that were not described in the staff report submitted to the Port Commission for the August 14, 2012 presentation.

- Autodesk, a multi-billion dollar corporation, not a single-asset entity, is signing the Lease. Accordingly, in lieu of a payment and performance bond generally required for construction of improvements on Port property, Port will instead receive a deposit in the form of cash or letter of credit to protect the Port if Autodesk fails to complete the Improvements (as defined in Section II of this staff report) within 180 days after commencement of the term.
- In the event Port fails to maintain and repair the exterior portions of Pier 9 (such as the roof, roof membrane, and exterior walls and doors), then Autodesk at its sole cost and expense, is permitted to make repairs to the exterior portions of the Pier 9 facility with Port's prior consent.

THIS PRINT COVERS CALENDAR ITEM NO. 8A

- Traditionally, the Port's form Lease does not allow for tenants that may be displaced by damage destruction to have any right to release its premise following repairs. Autodesk is requesting modification to this Lease Section 17, Damage and Destruction to provide them a right of first offer to release the premise following damage and destruction to its premise or to the facility.
- Autodesk is requesting modification to the definition of Habitual Late Payer (reflected in italics) to mean tenant has received (a) at least two (2) notices of *material* monetary default, or (b) at least three (3) notices of *any material non-monetary default* within a twelve (12) month period. In exchange for modifying the definition, if Autodesk is deemed to be Habitual Late Payer, Autodesk will be obligated to pay rent in advance on a quarterly basis.
- In addition to the Improvements, Autodesk must also, at its sole cost, relocate the existing trash compactor serving the Waterfront Restaurant or build out a new waste management system.
- Autodesk is requesting to modify Lease Section 20 sublease language so the Port would not have an option to recapture any proposed sublease area if Autodesk requests Port's consent to a sublease. All other sublease provisions remain unchanged.
- Other than Autodesk's indemnification obligations related to hazardous materials and hold over obligations, neither Port nor Autodesk is liable for any indirect, consequential, special, exemplary, incidental or punitive damages arising from the Lease.
- Autodesk is requesting that Section 4.2 of the Lease which allows the Port to terminate the Lease in certain circumstances be modified to include no termination by Port in connection with Port development projects.

In summary Autodesk is making a significant capital investment into Port property. The requested changes, while material, do not weaken the Port's position and, in fact, in the majority of changes may even strengthen the Port's position.

I. **BACKGROUND**

Autodesk is an American multinational corporation that focuses on 3D design software for use in the architecture, engineering, construction, manufacturing, media and entertainment industries.

Autodesk was founded in 1982 by John Walker a co-author of the first versions of the company's flagship CAD software product. Autodesk software has been used in the design of everything from the New York Freedom Tower to Tesla electric cars.

Autodesk recently acquired Instructables, a web-based company that specializes in user-created and uploaded do-it-yourself projects. Instructables is dedicated to step-by-step collaboration among members to build a variety of projects. Users post

instructions to their projects, usually accompanied by visual aids, and then interact through comment sections below each Instructables step as well as in topic forums.

The Lease provides for approximately 3,333 square feet of office space and approximately 5,058 square feet of unimproved shed space located at Pier 9 (see attached location map). The office space was originally constructed in 1996 and is now functionally obsolete. The office space has been vacant since 2010. The unimproved shed space is an open area, currently being used for a trash for the Waterfront Restaurant, construction material storage, and parking.

The initial monthly rent prior to rent credit deductions is \$13,821.75 per month or \$2.25 per square foot for the office space and \$1.25 per square foot for the unimproved shed space. Both rates are in-line or slightly higher than the FY 2012/2013 Port Commission approved parameter rates for Pier 9 office and shed space. The monthly rent will be increased by 3% annually beginning on the first anniversary date of the Lease.

The Lease provides for a sixty-six (66) month term that includes a 180-day (180) rent abatement period during which no rent is paid to account for construction of the core and shell and tenant improvements (the "Improvements").

In general, core and shell improvements consist of the building envelope and building level systems. Tenant improvements in general are alterations made to rental premises in order to customize it for the specific needs of a tenant such as painting, installing partitions, changing the flooring, putting in customized light fixtures and so on. Typically, these improvements increase the value and the marketability of rental space.

Autodesk will construct a minimum of \$3,230,745 of Improvements consisting of: enclosing existing unimproved shed space to construct a 5,058 square foot workshop-space, new non-permeable floors, wall construction and window installation (floor to ceiling windows), replacement of existing doors and windows, complete renovation of the existing office space, installation of Heating Ventilation and Air Conditioning system, new electrical service and data systems, constructing of American's with Disabilities Act ("A.D.A") compliant bathrooms, paths of travel, an accessible entry-way, a demonstration kitchen, and an elevator. Core and shell improvements represent \$1,635,383 of the total project costs, which total \$3,230,745.

Autodesk may at some point in the term of the Lease install a solar panel system on the Pier 9 roof-top to supplement and minimize its electrical usage from the power grid. All of these Improvements will have added value to the premises at the end of the Lease term.

Rent will commence one hundred eighty-one days from the lease commencement date regardless of whether or not the Improvements are completed. All Improvements will remain on the Premises at the expiration of the Lease at no additional cost to Port.

Autodesk will have the right to early termination of the Lease until the last day of the thirty-sixth month (36th) of the Lease without penalty, provided, Autodesk will have no rights to any unamortized or outstanding rent credits. All Improvements will remain at the Premises upon termination of the Lease. Port staff believes the work-shop space

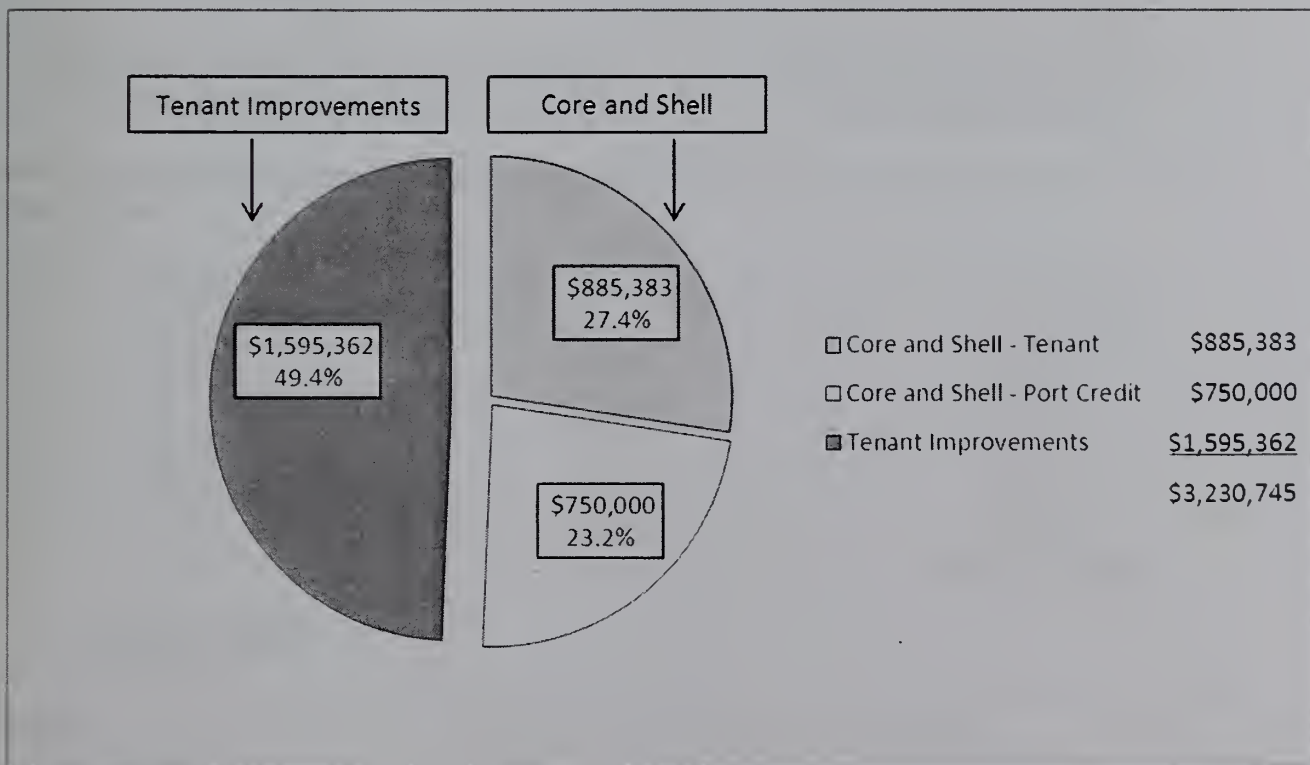
can easily be converted to high-demand open plan office space.

III. ANALYSIS

The Lease is being brought before the Port Commission because the lease term, the rent abatement period, and the amortized credit exceed the criteria found in the Port Commission approved business parameters. Additionally, material differences between the Lease and the form lease are also described above in this staff report and require Port Commission approval. All other terms and conditions, including rental rate, conform to the Port Commission's previously approved parameter terms and conditions.

The initial monthly rent prior to rent credit deductions is \$13,821.75 or \$2.25 per square foot for the office space and \$1.25 per square foot for the unimproved shed space and both are in-line or slightly higher than the Port Commission parameter rental rate for the 2012/2013 for office and shed space at Pier 9.

Autodesk will make a significant capital investment in Port property in the amount of approximately \$3,230,383 or \$385 per square foot for core and shell and tenant improvements. In consideration of this investment into Port property, the Lease provides for a 180-day rent-abatement period in the amount of \$82,930.50 or \$9.89 per square for the construction of the Improvements. The Lease also includes rent credits for the core and shell improvements only in the amount of \$667,069.50 that may be deducted in equal installments of \$11,117.83 per month starting the later of month 7- 66 or the date Port issues a certificate of completion for the Improvements until expiration of the term. The total rent credit and free rent period represents about 23.4% of the total construction budget.



The difference between Autodesk's investment and the rent abatement is \$295.61 per square foot or \$2,480,745 million in net capital investment made directly by Autodesk into Port property.

This chart compares a similar development lease in which significant capital investments were made into Port property and where credits were provided for core and shell improvements.

Year commenced	2012	2008
	Autodesk	Pilara
Initial Rate psf	\$2.25 \$1.25	\$ 1.02
Term in months	66	120
Premise total sf	8,391	27,311
Credit PSF	\$79.14	\$ 108.00
Capital Invest. PSF	\$381.36	\$ 439.00
Net Capital Invest.	\$302.22	\$ 331.00
Capital Investment	\$3.2 Million	\$12 Million

This chart summarizes the type of Improvements at the Premises that will be funded by rent credits.

Major Core and Shell improvements (Reimbursed by Credits)	Tenant Improvements Not Funded By Credits
ADA Elevator	Carpet, Paint, and Wall Coverings
Wall Construction to Enclose Parcel B	Cabinets and Fixtures
Heating Venation and Air-conditioning	Lighting System
Fire Sprinkler System	Kitchen and Appliances
Floors	Internal Demising Walls
New Electrical and Natural Gas Service	Interior Doors and Windows
Structure Supports and Seismic Bracing	Room/Space Partitions

Assuming maximum rent credits are given, the net rent paid to the Port is shown in the table below.

Month	Monthly Rent	Annual Rent
7-12	\$2,571	\$15,426
13-24	\$3,007	\$36,084
25-36	\$3,443	\$41,316
37-48	\$3,911	\$46,932
49-60	\$4,431	\$53,172
61-66	\$4,951	\$57,276
		Total \$250,206

IV. LEASE TERMS

Tenant:	Autodesk, Inc. a Delaware corporation
Lease Number:	L-15169

Premises:	Approximately 3,333 square feet of office space and approximately 5,058 square feet of unimproved shed space located at Pier 9.
Term:	66 months
Lease Commencement Date:	Anticipated by October 1, 2012.
Rent Commencement Date:	Anticipated April 1, 2013.
Lease Expiration Date:	Anticipated February 2017
Tenant's Right of First Offer to Extend Term	Autodesk has one-time right to make an offer to extend the term for an additional 60 months.
Early Termination by Tenant:	No later than the last day of month 36 or if Port is unable to deliver the premises by January 1, 2013.
Initial Monthly Rent:	\$13,821.75
Rent Adjustment	3% increase on each anniversary of the Rent Commencement Date.
Use:	Office, research and development and workshop space.
Tenant Improvements:	No less than \$3,230,745 of core and shell and tenant improvements within 180 days of the Commencement Date.
Rent Abatement Period:	180 days
Rent Credit:	Tenant shall receive a maximum rent credit in the amount of \$667,069 that may be deducted from the monthly rent starting the later of month 7 or the date Port issues a certificate of completion for the Improvements until expiration of the term. Rent credit is only for core and shell improvements and contingent on the completion of the Improvements.
Maintenance and Repairs:	In the event Port fails to maintain and repair the exterior portions of Pier 9 (such as the roof, roof membrane, and exterior walls and doors), then Autodesk at its sole cost and expense, is permitted to make repairs to the exterior portions of the Pier 9 facility with Port's prior consent.
Holding Over:	Monthly rent for holding over after expiration of the term with Port consent shall be increased by 125%; without consent, by 150%
Security Deposit:	Tenant shall provide a Security Deposit equal to two (2) month's Base Rent due in the last year of Lease.
As Is:	The Premises shall be accepted in its "as is" condition.

<i>Insurance:</i>	Tenant shall provide standard insurance coverage acceptable to Port and City Risk Manager.
<i>City Requirements:</i>	The lease includes provisions requiring Tenant to comply with all applicable City laws, including but not limited to, Non-Discrimination, First Source Hiring, Health Benefits Coverage, Limitation on Contributions, Prevailing Wages and other applicable laws.

V. RECOMMENDATION

Port staff recommends that the Port Commission approve the attached Resolution approving Lease No. L-15169 with Autodesk, Inc. a Delaware corporation, for premises located at Pier 9 for a term of 66 months and on such additional terms and conditions as described in this staff report.

Prepared by: Jeffrey A. Bauer, Senior Leasing Manager

For: Susan Reynolds, Director of Real Estate

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 12-64

- WHEREAS, Charter Section B3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control the Port area of the City and County of San Francisco; and
- WHEREAS, Pier 9, located at Broadway and The Embarcadero in the City and County of San Francisco, is in the Northeast Waterfront area of the Waterfront Land Use Plan; and
- WHEREAS, Port staff has negotiated a sixty-six (66) month lease ("Lease") with Autodesk, Inc. a Delaware corporation ("Autodesk") for a portion of Pier 9, comprised of office and unimproved shed space consisting of approximately 8,391 rentable square feet, at an initial rental rate of \$13,821.75 per month or \$2.25 per square foot for office space and \$1.25 for unimproved shed space, on the terms described in the staff report accompanying this resolution; and
- WHEREAS, the Lease provides for a one hundred eighty (180) day free rent period and total rent credits in the maximum amount of \$667,069 in consideration for Tenant's construction, at its sole expense, of a minimum of \$3.2 million of core and shell and tenant improvements (collectively, "Improvements") which will have value to the Port following the end of the Lease; and
- WHEREAS, the Lease provides Autodesk the right to terminate the Lease as of the last date of the thirty-sixth month (36th) of the Lease without penalty provided that Autodesk will have no rights to any unamortized or outstanding rent credits. All improvements will remain at the termination of the Lease; and
- WHEREAS, the Lease contains other material terms and conditions that differ from the form lease previously approved by the Port Commission, which differences are further described in the staff report accompanying this Resolution; and
- WHEREAS, the permitted uses in the Lease are a continuation of existing and related uses and are therefore covered under the General Rule Exclusion pursuant to the California Environmental Quality Act; now, therefore be it
- RESOLVED, that the Port Commission approves the Lease and authorizes the Executive Director or her designee to execute said Lease; and, be it further

RESOLVED,

that the Port Commission authorizes the Executive Director or her designee to enter into any additions, amendments or other modifications to the Lease that the Executive Director, in consultation with the City Attorney, determines are in the best interest of the Port, do not materially increase the obligations or liabilities of the City or Port or materially decrease the benefits to the City or Port, and are necessary or advisable to complete the transactions which the Lease contemplates and effectuate the purpose and intent of this Resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director or her designee of the Lease, and any such amendments thereto.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of September 11, 2012

Secretary



September 6, 2012

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz

FROM: Monique Moyer *M. Moyer*
Executive Director

SUBJECT: Request authorization to accept and expend \$1.3 million in 'Prop K' grant funds from the San Francisco County Transportation Authority for the demolition and removal of Pier ½

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

Overview

Port staff has applied for and was awarded \$1.3 million for the demolition and removal of Pier ½ (the "Pier ½ Project"). The funding comes from the San Francisco County Transportation Authority, which administers funds for local transportation improvements. Specifically, Port has been awarded a grant allocation from a voter-approved funding source known as 'Prop K', which is supported by a ½ cent sales tax set-aside for transportation projects and programs, including the expansion of ferry facilities in San Francisco at the Downtown Ferry Terminal.

The Port has an existing contract with Turner Construction Company for construction of new public improvements related to the 34th America's Cup, which the Port Commission approved on April 24, 2012 (Port Commission Resolution No.12-40). The Port is utilizing this contract with Turner Construction to perform the work for the Pier ½ Project, with total Project costs of approximately \$1.5 million. Power Engineering along with Zaccor, Inc. are subcontractors to Turner Construction for the Pier ½ Project, pursuant to a bid process completed in July 2012.

The Pier ½ Project costs, previously projected at approximately \$1.2 million (i.e. pre-bid estimate), were included within the plan of finance for a set of America's Cup-related improvements, which also includes the removal of Pier 64 and public access

THIS PRINT COVERS CALENDAR ITEM NO. 8B

improvements at Piers 19-23. That financing plan, which included the issuance of Certificates of Participation (COPs), was also approved by the Port Commission on April 24, 2012 (Resolution No. 12-37).

Through its Resolution No. 13-03, the San Francisco County Transportation Authority Board authorized allocation of the \$1.3 million in Prop K grant funds to the Port for the Pier ½ Project. These funds will be dispersed to the Port and expended retroactively through a reimbursement process.

The Project is scheduled to be completed by the end of October, 2012.

Background – AC34, The San Francisco Bay Conservation and Development Commission, and the Downtown Ferry Terminal Expansion

On March 27, 2012 the Board of Supervisors conditionally approved a revised Lease Disposition Agreement (LDA) with the America's Cup Event Authority to hold the 34th America's Cup (AC34) regatta and related events in San Francisco. The LDA obligates the Port to perform a variety of AC34-related infrastructure improvements, including the demolition and removal of Pier ½.

In addition, The San Francisco Bay Conservation and Development Commission's (BCDC's) San Francisco Waterfront Special Area Plan has long designated Pier ½ for removal to create an additional open water area at this location. However, the timing of the removal requirement was tied to the issuance of a BCDC permit for the expansion of the Downtown Ferry Terminal. As the implementation of the proposed Downtown Ferry Terminal expansion is not expected to begin until after the AC34 events, the timing of the removal requirement has been accelerated as a permit and mitigation requirement for AC34. The BCDC major permit for AC34 and the amended Special Area plan specify that the Port is now required to effectuate the removal of Pier ½ by March 31, 2013.

Pier ½, located just north of the Ferry Building and adjacent to the existing ferry Gate B, is approximately 25,000 square feet in area, and consists of decking, caissons, and pilings. In 2008, the Port deemed Pier ½ unsafe for public uses due to its deteriorating substructure and it has been closed to the public, or "red-tagged", since that time.

In the north basin where Pier ½ is located, The San Francisco Bay Area Water Emergency Transportation Authority (WETA) is proposing improvements to the Downtown San Francisco Ferry Terminal to accommodate anticipated increases in ferry ridership as new ferry services from downtown San Francisco to Antioch, Berkeley, Hercules, Martinez, Redwood City, Richmond, and Treasure Island are introduced between 2014 and 2030.

The removal of Pier ½ will facilitate the proposed expansion of the Downtown Ferry Terminal as it will make way for the construction of new ferry facilities in the north basin including a new Gate A with two new ferry berths and related landside improvements. WETA plans to operate new services to Berkeley and Richmond at Gate A.

Environmental Review

The demolition and removal of Pier ½ was analyzed as part of the 34th America's Cup Final Environmental Impact Report, which was certified by the Planning Commission on December 15, 2011. The Downtown Ferry Terminal expansion project is currently undergoing environmental review, with an administrative draft (DEIR/DEIS) expected in Fall, 2012 and certification of the final document by Summer, 2013.

Port Commission Action

Through the attached Resolution, staff seeks Port Commission authorization for the Port's Executive Director to accept and expend, through a reimbursement process as specified in Standard Grant Agreement (SGA) No. 109.913003, which is attached to the Resolution as Exhibit A, the \$1.3 million in Prop K funding for the removal of Pier ½.

Prepared by: James Hurley
Feasibility Analyst

For: Elaine Forbes,
Deputy Director, Finance &
Administration

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 12-65

- WHEREAS, Pier ½ has been closed to public access since 2008 due to its unsafe structural condition; and
- WHEREAS, the Final Environmental Impact Report for the 34th America's Cup event designates Pier ½ as a bay fill removal site as a mitigation measure; and
- WHEREAS, the Port of San Francisco is required to remove Pier ½ by March 31, 2013 as a condition of the San Francisco Bay Conservation and Development Commission (BCDC) major permit for the 34th America's Cup and the amended BCDC San Francisco Waterfront Special Area Plan; and
- WHEREAS, the removal of Pier ½ will facilitate the planned expansion of the Downtown Ferry Terminal by the Port and the Water Emergency Transportation Authority (WETA), which has proposed the construction of a new ferry gate and other improvements in the north basin area where Pier ½ is located; and
- WHEREAS, Port staff, in cooperation with WETA, sought funding for the costs to remove Pier ½ through the Proposition K funds that the San Francisco County Transportation Authority (Authority) has designated for the expansion of the Downtown Ferry Terminal; and
- WHEREAS, the Authority Board approved the Port's request for \$1,300,000 in Proposition K grant funds for the demolition and removal of Pier ½ at a public meeting of the Authority Board on July 24, 2012 (Board Resolution No. 13-03); now therefore be it
- RESOLVED, that the Port Commission hereby authorizes the Executive Director to accept and expend \$1,300,000 in Proposition K grant funds from the San Francisco County Transportation Authority, pursuant to a reimbursement process specified in the Standard Grant Agreement for Project No. 109.913003, attached as Exhibit A to this Resolution.

I hereby authorize that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of September 11, 2012.

Secretary

Exhibit A: Standard Grant Agreement (SGA) No. 109.913003

STANDARD GRANT AGREEMENT
Proposition K
Transportation Authority Project No. 109.913003
Resolution 13-03

SECTION 1

I. PURPOSE OF AGREEMENT

THIS AGREEMENT is entered into by and between the San Francisco County Transportation Authority (AUTHORITY) and the City and County of San Francisco acting through its Port of San Francisco (RECIPIENT), to document the funding conditions necessary for the RECIPIENT to comply with applicable law and AUTHORITY policies as provided in the AUTHORITY GRANT Resolution. This AGREEMENT consists of Sections 1 and 2 and all additional documents stated in these sections as being attached hereto and incorporated in the AGREEMENT by reference.

In consideration of the mutual covenants, promises, and representations herein, the parties hereto agree as follows:

II. PURPOSE OF GRANT

This GRANT, approved through Resolution 13-03 of the AUTHORITY, in accordance with the requirements of the AUTHORITY'S Proposition K Expenditure Plan and Strategic Plan, is made for the following purposes identified in the RECIPIENT'S Proposition K Sales Tax Program Allocation Request Form (Attachment):

Downtown Ferry Terminal Phase II - Pier 1/2 Demolition

Additional information on project scope is included in the Proposition K Sales Tax Program Allocation Request Form.

III. PROJECT DEFINITION AND SCOPE

The RECIPIENT agrees to undertake and complete the PROJECT with all practicable dispatch, in a sound, economical, and efficient manner, and in accordance with all the provisions of Sections 1 and 2 hereof, and as described in the Scope section and any Special Conditions of the Proposition K Sales Tax Program Allocation Request Form, which are attached to this AGREEMENT, and made a part hereof.

IV. GRANT

The AUTHORITY hereby grants to the RECIPIENT the sum of **\$1,300,000** as designated in the GRANT Resolution cited below and included in this AGREEMENT by reference.

Res. No.	Date	Project #	Proposition K Funds Allocated	Proposition K Fund Expiration Date
13-03	07.24.12	109.913003	\$1,300,000	3/31/2014

V. ACCEPTANCE OF GRANT

The RECIPIENT does hereby declare that all written statements, representations, covenants, and materials submitted as a condition of this AGREEMENT are true and correct and does hereby accept the AUTHORITY'S GRANT and agrees to all of the terms and conditions of this AGREEMENT.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

By: 

José Luis Moscovich, Executive Director

Date 8/3/12

RECIPIENT: City and County of San Francisco acting through its Port of San Francisco

By: 

Monique Moyer, Executive Director

Date 7/31/2012

Approved As To Form: Dennis J Herrera, City Attorney

By: _____
Deputy City Attorney

**SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
STANDARD GRANT AGREEMENT**

**SECTION 2
STANDARD TERMS AND CONDITIONS**

I. DEFINITIONS

As used in this AGREEMENT:

- A. AGREEMENT shall mean Sections 1 and 2 of this Standard Grant Agreement and all additional documents stated in these sections as being attached and incorporated by reference.
- B. AUTHORITY shall mean the San Francisco County Transportation Authority.
- C. DATE OF EXECUTION shall mean the date when the AUTHORITY'S Executive Director or his/her designee signs this agreement.
- D. DISADVANTAGED BUSINESS ENTERPRISE (DBE) PROGRAM shall mean any DBE program adopted by RECIPIENT, or an equivalent program approved directly by the California Department of Transportation or accepted by the federal agency providing financial assistance, that is applicable to the PROJECT as defined by RECIPIENT.
- E. FORCE ACCOUNT shall mean personnel costs incurred by the RECIPIENT directly associated with implementing projects.
- F. FUND EXPIRATION DATE shall mean the final date when eligible costs may be charged against a GRANT.
- G. GRANT shall mean the allocation of any Proposition K sales tax funds.
- H. LOCAL BUSINESS ENTERPRISE (LBE) PROGRAM shall mean any LBE program adopted by RECIPIENT that is applicable to the PROJECT as defined by RECIPIENT.
- I. LOCAL HIRING PROGRAM shall mean any local hiring ordinance adopted by RECIPIENT or another employment opportunity program developed by RECIPIENT that is applicable to the PROJECT as defined by RECIPIENT.
- J. NEW EXPENDITURE PLAN shall mean the City and County of San Francisco Transportation Expenditure Plan approved by the voters on November 4, 2003.
- K. PROJECT shall mean the scope of work set forth in the attached Proposition K Sales Tax Program Allocation Request Form. This scope of work is based on the applicable project description of a line item that is in the EXPENDITURE PLAN.
- N. PROPOSITION K REQUEST TABLE shall mean the current schedule of cash flows shown in the Proposition K Sales Tax Program Allocation Request Form—Cash Flow Distribution Schedule by Fiscal Year table.
- M. RECIPIENT shall mean SPONSORING AGENCY that receives a GRANT from the AUTHORITY for the purpose of carrying out the PROJECT.
- N. SMALL BUSINESS ENTERPRISE (SBE) PROGRAM shall mean any SBE program adopted by RECIPIENT that is applicable to the PROJECT as defined by RECIPIENT.
- O. SPONSORING AGENCY shall mean the RECIPIENT shown on page 20 of 21 of the NEW EXPENDITURE PLAN for the PROJECT.
- P. STRATEGIC PLAN shall mean the long-range Strategic Plan adopted by the AUTHORITY Board in place at the time of the allocation, which updates assumptions about level and availability of Proposition K revenues and sets policy on Proposition K expenditures, project budgets, cost eligibility, and expected cash flows.

II. GENERAL CONDITIONS

A. Cost Eligibility

Cost eligibility shall be determined by the AUTHORITY'S Strategic Plan policies. All costs incurred by RECIPIENT prior to the date of execution of this AGREEMENT shall be

ineligible for reimbursement by the AUTHORITY, except in the following situations:

1. Where the AUTHORITY has previously approved the scope of a project and that scope has incurred increased costs; and
2. Capital costs of a multi-year project to which the AUTHORITY has made a formal commitment in a resolution for out-year costs, although the funds have not been allocated.

While these costs shall be eligible for reimbursement in the situations cited above, the timing and amount of reimbursement will be subject to an AUTHORITY allocation, based on available revenues, other anticipated project requests, and project category and subcategory limits established in the EXPENDITURE PLAN. Travel costs shall not exceed the per diem rates and allowances established by the U.S. General Services Administration when traveling within the United States, and U.S. Department of State when traveling outside the United States. All costs incurred by RECIPIENT after the FUND EXPIRATION DATE shall be ineligible for reimbursement by the AUTHORITY. Any waiver of cost eligibility policies must be included in the Proposition K Sales Tax Program Allocation Request Form as approved by the AUTHORITY.

B. Non-Substitution of Funds

In accordance with Sections 131100 et seq. of the California Public Utilities Code under which the AUTHORITY was created, a GRANT awarded to the RECIPIENT shall not replace funds previously provided by property tax revenues for transportation purposes and shall be used to supplement existing local revenues used for transportation purposes.

Any GRANT determined by the AUTHORITY to replace existing local revenues shall be refunded by the RECIPIENT to the AUTHORITY in a manner determined by the AUTHORITY.

C. Compliance with Law

In the performance of its obligations pursuant to this AGREEMENT, the RECIPIENT shall keep itself fully informed of the federal, state and local laws, ordinances and regulations in any manner affecting the performance of this Agreement, and must at all times comply with such laws, ordinances, and regulations as they may be amended from time to time.

D. Budget and Scope

The RECIPIENT shall maintain a PROJECT budget. The RECIPIENT shall carry out the PROJECT and shall incur obligations against and make disbursements of the GRANT in conformity with the AUTHORITY'S requirements and the budget. The PROJECT budget may be revised from time to time through the submission of a revised budget to the AUTHORITY.

The RECIPIENT may not make any changes to the scope of the PROJECT without prior written approval of the AUTHORITY. Approval by the AUTHORITY of a change of scope shall not constitute an increase in the GRANT amount unless additional funds are specifically provided.

E. Third Party Contract Audits

The AUTHORITY reserves the right to request an audit of other third party contracts for any reason. If the RECIPIENT is subject to third party financial audit requirements imposed by another funding source, copies of audits performed in fulfillment of such requirements shall be provided to the AUTHORITY. If the RECIPIENT is an agency of the City and County of San Francisco, third party contracts include those contractual agreements entered into by the RECIPIENT and any other City and County of San Francisco entity.

F. Project Management

RECIPIENT shall be responsible for the PROJECT and provide management of consultant and contractor activities for which RECIPIENT contracts, including responsibility for schedule, scope, and budget, consistent with the AUTHORITY'S resolution allocating the GRANT unless otherwise agreed upon in writing.

G. Project Oversight

The RECIPIENT shall cooperate with the AUTHORITY'S project oversight team and shall provide any requested PROJECT information.

H. Attribution and Signage

If any portion of GRANT funds is used for production of reports, acknowledgment of the AUTHORITY'S role shall be included in the documents. If any portion of GRANT funds is used for construction, the RECIPIENT shall, upon initiation of field work or at the earliest feasible time thereafter, install and maintain a sign at the construction site identifying Proposition K Local Transportation Sales Tax Funds and the AUTHORITY as a funding source, in accordance with the standard format within this Section II.H. For construction projects, RECIPIENT shall, within 30 days of the date of initiation of fieldwork, submit to the AUTHORITY as a jpeg or TIF file, a photograph documenting compliance with the Proposition K attribution and format requirements herein contained. For non-construction capital purchases funded by any portion of GRANT funds, RECIPIENT shall affix permanent signage identifying the AUTHORITY and the Sales Tax Funds as a funding source according to the standard format. RECIPIENT shall demonstrate compliance with attribution and signage requirements as a mandatory condition for authorization of Proposition K reimbursement for project expenses. RECIPIENT shall submit a request for approval from the AUTHORITY for any deviation from the specified attribution and signage described below. Exceptions may be made at the sole discretion of the Authority.

1. For a construction project undertaken with partial or complete funding from Proposition K, RECIPIENT shall install and maintain a sign displaying the following items:
 - a. The official AUTHORITY seal, provided to RECIPIENT in digital format at the time of execution of this AGREEMENT, placed on the upper or lower right hand corner of the sign, and sized 8 inches across or at the same size as the RECIPIENT's own seal or official logo appearing on the sign, whichever is larger.
 - b. The following text:


***Your Proposition K
Sales Tax Dollars at Work***

centered horizontally across the top or across the bottom of the sign, such that the AUTHORITY logo appears immediately to the right of the text, and displayed in 2-

inch tall Times Roman or comparable font. See example in Figure 1.

- c. A listing of current AUTHORITY Board members, centered vertically against the right margin of the sign, starting with the Chair and Vice Chair. See Example in Figure 1.

Figure 1
Example of Construction Sign

<div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">City or Recipient Dept. logo</div> <div style="border: 1px solid black; padding: 2px;">Other logo</div>	<p>Your Proposition K Sales Tax Dollars at Work</p> <p>Sidewalk widening Main Street. Oak to Maple</p>	<div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;"></div> <div style="border: 1px solid black; padding: 2px;">Board Member names</div>
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2. Required Format for Attribution and Acknowledgement of AUTHORITY Funding for Non-Construction Capital Projects.

All capital purchases, including, but not limited to transit fleet and non-revenue fleet vehicles and maintenance vehicles, partially or entirely funded by Proposition K shall bear permanent signage as follows:

- a. For vehicles (revenue and non-revenue):

A decal or painted version of the AUTHORITY'S official seal, 5 inches across. Non-revenue vehicles shall display the seal on either side or on the rear of the vehicle, at least 6 inches in from the perimeter of the surface where it is displayed. Transit and paratransit vehicles shall display the AUTHORITY'S seal prominently inside the vehicle, either on the rear-facing driver privacy panel, or on a wall or ceiling graphic display panel. The seal shall be displayed including the following text, centered under the seal:
Paid for by Your Prop K Sales Tax, in two rows, as illustrated below:



Paid for by Your

Prop K Sales Tax

3. Required Format for Attribution and Acknowledgement of AUTHORITY Funding of Studies and Reports

All reports prepared with funding from Proposition K shall bear the appropriate framed imprint on the back of the title page, right justified and printed in 12 point font. The Official AUTHORITY seal, provided to RECIPIENT in digital format at the time of execution of the AGREEMENT, and sized at 1 inch across, as shown below, shall be placed immediately to the right of the text frame bearing the attribution imprint.



- a. For reports entirely funded through Proposition K:

Preparation of this report was made possible entirely by the
San Francisco County Transportation Authority through a
grant of
Proposition K Local Transportation Sales Tax funds.



- b. For reports and studies partially funded through Proposition K:

Preparation of this report was made possible in part by the
San Francisco County Transportation Authority through a
grant of
Proposition K Local Transportation Sales tax funds.



4. Required Format for Attribution and Acknowledgement of AUTHORITY Funding of
Flyers, Brochures, Posters, Websites and Other Similar Materials.

All flyers, brochures, posters, websites and other similar materials prepared with Proposition
K funding shall include the Authority's logo and the following statement:

This project is made possible by the San Francisco County Transportation
Authority through a grant of Proposition K Local Transportation Sales Tax Funds.

The logo should be grouped with any other participating agency. The logo and attribution
shall be readily visibly and distinguishable from a normal viewing distance for the item being
produced. One copy of all such materials shall be delivered to the AUTHORITY for
archival purposes.

I. Environmental Compliance

The RECIPIENT shall undertake all environmental mitigation measures that may be identified
as commitments in applicable documents (such as environmental assessments, environmental
impact statements and reports, and memoranda of agreement), and comply with any
conditions imposed as a part of a finding of no significant impact or a record of decision. All
such mitigation measures are incorporated in this AGREEMENT by reference.

III. FINANCES

A. Documentation of Project Costs

All costs charged to the PROJECT, including any approved FORCE ACCOUNT services
performed by the RECIPIENT, shall be supported by properly prepared and documented time
records, invoices, or vouchers evidencing in detail the nature and propriety of the charges and
the basis for the percentage charged to the AUTHORITY.

B. Records

All checks, payrolls, invoices, contracts, vouchers, journal entries, work orders, and other

accounting documents pertaining in whole or in part to the PROJECT shall be maintained by the RECIPIENT for a period of five (5) years after the later of PROJECT closeout or termination of GRANT. Such PROJECT documents shall be clearly identified, readily accessible, and, to the extent feasible, kept separate and apart from all other similar documents not pertaining to the PROJECT.

C. Reimbursements

Payment shall be made to the RECIPIENT for costs reimbursable under the terms of this AGREEMENT and incurred prior to the termination date of this AGREEMENT. Payment to RECIPIENT of the GRANT shall be upon written approval by the AUTHORITY, upon submittal by the RECIPIENT of appropriate support documentation and identification of expenses incurred. Reimbursement shall be made on a quarterly basis. The AUTHORITY, in consultation with the RECIPIENT, may provide an alternate reimbursement schedule or quarterly calendar to the grantee. However, RECIPIENT shall submit fourth (4th) quarter reimbursement requests by August 1 to meet the Authority's year end closing process. Except for the grant closeout or end of fiscal year billing, the minimum reimbursement request amount shall be \$5,000. In the case of grant closeout, the AUTHORITY reserves the right to retain up to \$5,000 or 10% of the GRANT amount, whichever is less, until all project requirements, including special conditions and deliverables, have been met, and closeout documentation, including proof of attribution and project completion, have been submitted and accepted.

Reimbursements shall not exceed the schedule shown in the PROPOSITION K REQUEST TABLE. RECIPIENT may make a request for exceptions in writing. Exceptions may be made at the sole discretion of the Authority.

Each reimbursement request shall include RECIPIENT'S certification that the amounts sought are only for project elements included in the Allocation Request Form, and that RECIPIENT is in compliance with the AUTHORITY'S requirements under Section IV. A (Progress Reports) and II. H (Signage and Attribution) of this Agreement.

D. Interest Expense

1. RECIPIENT acknowledges that the AUTHORITY may have to issue debt to honor reimbursement requests, including, but not limited to, the planned reimbursement requests shown in the current PROPOSITION K REQUEST TABLE. If, as of the date of a reimbursement, the sum of the reimbursements for an Expenditure Plan line item exceeds such Expenditure Plan line item's cumulative pro-rata share of Proposition K revenues as such revenues and pro-rations are shown in the current adopted Proposition K Strategic Plan, and the Authority issues or services debt to satisfy its reimbursement obligations to RECIPIENT or any other recipient of Proposition K revenues, then such Expenditure Plan line item shall be responsible for and allocated its pro-rata share of the costs and expenses of such debt, including all interest expense, fees, and other costs of issuance (collectively, "Debt Expenses"). Actual Debt Expenses shall be reported at the end of the Fiscal Year in which the reimbursement occurs, and such Debt Expenses will be charged against applicable Expenditure Plan line item reimbursement limits.
2. The AUTHORITY may request updated PROPOSITION K REQUEST TABLES, and RECIPIENT shall respond to any such request within ten (10) business days if RECIPIENT proposes any change in the PROPOSITION K REQUEST TABLE,

with any such changes requiring approval by the AUTHORITY. The most recently approved PROPOSITION K REQUEST TABLE will be the basis for determining Debt Expenses and reimbursement request limits.

3. Notwithstanding anything to the contrary within this Section III.D., in the event that the AUTHORITY specifically issues debt on behalf of RECIPIENT's specific project, any Debt Expenses related to such debt will be directly allocated and charged against the applicable Expenditure Plan line item and not pro-rated as set forth in Section III.D.1.
4. Notwithstanding anything to the contrary within this Section III.D.1, in the even that this GRANT funds one of the four projects grandfathered from the Prop B Expenditure Plan, no finance costs will be assigned to the project. These four projects are the Third Street Light Rail Project, the New Central Subway Project, the Illinois Street Bridge Project and the Bernal Heights Project.

E. Proportional Expenditure of GRANT

If this GRANT constitutes local match for federal, state, or regional funds, the RECIPIENT shall not expend this GRANT at a rate greater than the percentage share as listed in the Proposition K Sales Tax Program Allocation Request Form unless written approval by the AUTHORITY is obtained to allow GRANT expenditure for a different percentage.

F. Proceeds from Sale of Equipment or Vehicles Purchased with GRANT

If RECIPIENT uses any portion of the GRANT to purchase equipment or vehicles, and later sells the equipment or vehicles, RECIPIENT shall return to the AUTHORITY a portion of the proceeds from the sale of such assets. RECIPIENT shall return to the AUTHORITY that proportion of the net sales proceeds that is equal to the percentage of the original purchase price that consisted of GRANT funds. The AUTHORITY will program any returned funds in accordance with Strategic Plan policies.

G. Return of Project Cost Savings

If the actual costs of the PROJECT are less than the amount budgeted or the amount advanced by the AUTHORITY, RECIPIENT shall return to the AUTHORITY that proportion of the project cost savings that is equal to the percentage of the original project budget that consisted of Prop K grant funds. The AUTHORITY will program any returned funds in accordance with Strategic Plan policies.

IV. REPORTING

A. Progress Reports

As a condition for reimbursement, RECIPIENT shall submit quarterly progress reports and an annual project report. RECIPIENT must submit a progress report for each grant regardless of progress made during the reporting period.

RECIPIENT shall submit no later than April 15, July 15, October 15, and January 15, a quarterly progress report describing the activities performed during the previous quarter. The AUTHORITY in consultation with RECIPIENT may agree to an alternate reporting schedule for the grantee. This report shall address the current scope, schedule, cost and

status of each project element listed in the Allocation Request Form and approved amendments. Project updates shall include percent complete of the project's scope, photographs of projects under construction, the completed project, and verification of compliance with the AUTHORITY'S signage and attribution requirements. Photos shall include identification for project number, location, date and activity being photographed. RECIPIENT shall include in the quarterly progress report submitted on July 15 SBE, DBE and LBE contract and project goals and utilization to date in terms of percents and dollar amounts as applicable.

RECIPIENT shall submit no later than December 15 of each year a project update for potential inclusion in the AUTHORITY Annual Report, in a format to be provided by the AUTHORITY. This update shall include at least the following information: project sponsor, project contact, project description, project status including percent complete, expenditures, including SBE, DBE and LBE PROGRAM utilization to date and project goals, LOCAL HIRING PROGRAM utilization to date, and photos and other presentation quality materials. RECIPIENT shall limit this presentation to one page for all items except photos and one page for multiple photos.

All quarterly progress reports shall be submitted in electronic format. Electronic format shall include Microsoft Word or Excel documents for text portions and JPEG files for photos or as otherwise directed by the AUTHORITY. The AUTHORITY reserves the right to request hard copies of the progress report.

B. SBE, DBE, LBE and LOCAL HIRING PROGRAMS Utilization

RECIPIENT shall provide the AUTHORITY with an electronic copy of its SBE, DBE, LBE and/or LOCAL HIRING PROGRAMS, including project goals that RECIPIENT will use with respect to any third party contract using the funds allocated under this AGREEMENT no later thirty days after third-party contract award. If RECIPIENT has already provided copies of such policy and goals to AUTHORITY, RECIPIENT will notify AUTHORITY in writing no later thirty days after third-party contract award as to which policy RECIPIENT will use to govern this allocation.

V. AUDITS AND CLOSEOUT PROCEDURES

A. Ongoing

The AUTHORITY reserves the right at any time to conduct or require a financial or performance audit of the RECIPIENT'S compliance with this AGREEMENT. The AUTHORITY will give advance notice of the requirement. The RECIPIENT shall permit the AUTHORITY, or any of its duly authorized representatives, to inspect all work, materials, payrolls, and other data and records with regard to the PROJECT, and to audit the books, records, and accounts of the RECIPIENT and its contractors with regard to the PROJECT.

B. Closeout

PROJECT closeout occurs either when the AUTHORITY notifies the RECIPIENT or forwards the final GRANT payment, or when the RECIPIENT'S remittance of the proper refund has been acknowledged by the AUTHORITY. Within ninety (90) days of the PROJECT completion date or termination by the AUTHORITY, whichever comes first the RECIPIENT



shall submit a certified financial statement identifying all excess funds or ineligible expenditures, which the RECIPIENT shall be required to refund, as well as third party audit reports, as applicable, or provide a schedule and justification for an alternate closeout date. PROJECT closeout shall not terminate any continuing obligations imposed on the RECIPIENT by this AGREEMENT. For multi-year AGREEMENTS, the AUTHORITY may request closeout of a portion of a PROJECT as it is completed. Final reimbursement will be in accordance with AUTHORITY policies and procedures.

RECIPIENT shall provide to the AUTHORITY the following information at project closeout

1. Final Expenditure Report

This report shall consist of the total expenditures for the approved scope, revenues from all funding sources applied to the approved scope of work. The RECIPIENT shall provide supporting documentation for expenditures and revenues from its accounting and financial management system.

RECIPIENT shall certify that the amounts sought are only for project elements included in the Proposition K Sales Tax Program Allocation Request Form.

2. SBE, DBE, LBE and LOCAL HIRING PROGRAMS Utilization Report

This report shall include a breakdown of work performed by RECIPIENT forces and the work that has been contracted out, including a breakdown of work contracted out to SBE, DBE, LBE and/or local residents, which includes the contract and project goals and utilization to date in terms of percents and dollar amounts as applicable.

3. Final Project Update

The RECIPIENT shall provide a final project update in the format that is specified for the AUTHORITY'S Annual Report in Section IV. A. of this AGREEMENT.

These project closeout documents shall be submitted under the signature of staff authorized to execute the AGREEMENT.

Release of the final reimbursement request or allocation of additional grants shall be subject to fulfillment of required closeout materials. The AUTHORITY reserves the right to retain up to \$5,000 or 10% of the GRANT, whichever is less, until all closeout documentation, including proof of attribution and project completion, have been submitted and accepted.

C. Rescission of Authorization of Funds

The AUTHORITY reserves the right to rescind its authorization of unneeded GRANT funds prior to, or at the time of, PROJECT closeout. Funds are determined to be unneeded if they are uncommitted at time of project closeout.

D. Repayment of Ineligible Costs

The AUTHORITY reserves the right to offset RECIPIENT payback of ineligible costs against future GRANT approvals for this PROJECT or other projects in the EXPENDITURE PLAN for which RECIPIENT is the SPONSORING AGENCY.

VI. LIABILITY

A. Indemnification

RECIPIENT agrees to defend, indemnify and hold harmless the AUTHORITY, its officers, employees and agents, from any and all acts, claims, omissions, liabilities and losses asserted by any third party arising out of acts or omissions of RECIPIENT in connection with this AGREEMENT, except those arising by reason of the sole negligence of the AUTHORITY, its officers, employees and agents.

AUTHORITY agrees to defend, indemnify and hold harmless the RECIPIENT, its officers, employees and agents, from any and all acts, claims, omissions, liabilities and losses asserted by any third party arising out of acts or omissions of AUTHORITY in its obligations under this AGREEMENT, except those arising by reason of the sole negligence of the RECIPIENT, its officers, employees and agents.

In the event of concurrent negligence of RECIPIENT and AUTHORITY, the liability for any and all claims for injuries or damages to persons and/or property shall be apportioned under the California theory of comparative negligence as presently established or as may hereafter be modified.

VII. DEFAULT

A. Termination for Cause

The RECIPIENT agrees that, upon ten (10) working days written notice, the AUTHORITY may suspend or terminate all or part of the financial assistance provided herein for failure to correct a breach of this AGREEMENT. Any failure to make reasonable progress, inconsistency with the EXPENDITURE PLAN or Proposition K Sales Tax Program Allocation Request Form, unauthorized use of GRANT funds as specified in this AGREEMENT, or other violation of the AGREEMENT that significantly endangers substantial performance of the PROJECT shall be deemed to be a breach of this AGREEMENT and cause for termination.

B. Correction of Breach

With respect to any breach, which is reasonably capable of being cured, the RECIPIENT shall have thirty (30) days from the date of notice of breach to initiate steps to cure. If the RECIPIENT diligently pursues cure, such RECIPIENT shall be allowed a reasonable time to cure, not to exceed sixty (60) days from the date of the initial notice, unless a further extension is granted in writing by the AUTHORITY.

C. Obligations

In general, termination of financial assistance under this AGREEMENT will not invalidate obligations properly incurred by the RECIPIENT before the termination date, to the extent those obligations cannot be canceled.

VIII. INTEGRATION

This AGREEMENT represents the entire AGREEMENT of the parties with respect to the subject



matter thereof. No representations, warranties, inducements or oral agreements have been made by any of the parties except as expressly set forth herein, or in other contemporaneous written agreements.

IX. AMENDMENT

Except as otherwise provided herein, this AGREEMENT may not be changed, modified or rescinded except in writing, signed by all parties hereto, and any attempt at oral modification of this AGREEMENT shall be void and of no effect.

X. INDEPENDENT AGENCY

RECIPIENT performs the terms and conditions of this AGREEMENT as an entity independent of the AUTHORITY. None of the RECIPIENT'S agents or employees shall be agents or employees of the AUTHORITY.

XI. ASSIGNMENT

The AGREEMENT may not be assigned, transferred, hypothecated, or pledged by any party without the express written consent of the other party.

XII. BINDING ON SUCCESSORS, ASSIGNEES OR TRANSFEREES

This AGREEMENT shall be binding upon the successor(s), assignee(s) or transferee(s) of the AUTHORITY or the RECIPIENT as may be the case. This provision shall not be construed as an authorization to assign, transfer, hypothecate or pledge this AGREEMENT other than as provided above.

XIII. EXPENSES

Each party shall be solely responsible for and shall bear all of its own respective legal expenses in connection with any dispute arising out of this AGREEMENT and the transactions hereby contemplated. RECIPIENT may not use GRANT funds, or other AUTHORITY programmed funds for the aforementioned purpose.

XIV. SEVERABILITY

Should any part of this AGREEMENT be declared unconstitutional, invalid, or beyond the authority of either party to enter into or carry out, such decisions shall not affect the validity of the remainder of this AGREEMENT, which shall continue in full force and effect provided that the remainder of this AGREEMENT can, absent the excised portion, be reasonably interpreted to give effect to the intentions of the parties.

Attachment: Proposition K Sales Tax Program Allocation Request Form, attached and incorporated by this reference.

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MEMORANDUM

September 6, 2012

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz

FROM: Monique Moyer *M Moyer*
Executive Director

SUBJECT: Request authorization to issue a Request for Proposals (RFP) for a Cruise Terminal Passenger Operations, Parking and Special Events Management Agreement at the Pier 27 James R. Herman Cruise Terminal, located at Lombard Street and The Embarcadero

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

SUMMARY

Port staff recommends that the Port Commission authorize and direct staff to issue a Request for Proposals for management of passenger cruise terminal operations, special events and parking at the Pier 27 James R. Herman Cruise Terminal. The current cruise terminal management agreement expires when the Port commences cruise ship operations in 2014 at the newly designated primary cruise terminal at Pier 27. If the attached resolution is approved, Port staff will issue the Request for Proposals (RFP) late September 2012.

BACKGROUND

The Port's primary cruise terminal is currently housed at Pier 35; Pier 27 serves as a secondary terminal when there are multiple cruise calls. Pier 35 has become increasingly constrained for accommodating larger cruise ships and thus the Port has been underway to construct a new passenger terminal at Pier 27 to meet modern ship and operational requirements of the cruise industry. Under the Port's plans, the Pier 27 James R. Herman Cruise Terminal (Cruise Terminal) would become the primary cruise terminal and Pier 35 would be retained as a secondary terminal.

THIS PRINT COVERS CALENDAR ITEM NO. 9A

Construction of the Cruise Terminal will be carried out in two phases. Phase 1, now in progress, includes construction of a "core and shell" building structure that will be substantially completed and transferred to the America's Cup Event Authority in March 2013. This structure will be used as a special event venue during the America's Cup races in 2013. After the conclusion of the races, the Port will implement Phase 2 construction to complete the building as a cruise terminal facility. Phase 2 construction consists of completion of the U.S. Customs and Border Protection interior space within the cruise terminal building, installation of exterior maritime equipment, finishing the ground transportation area and potentially the construction of the Northeast Wharf Plaza. When Phase 2 is completed, Pier 27 cruise operations are expected to resume sometime during the 2014 cruise season. The Port Commission approved the Cruise Terminal project by its Resolution No. 11-75 on December 16, 2011 and adopted environmental findings as part of that approval action.

Currently, cruise terminal operations at Pier 35 and other Port facilities designated for cruise ship berthing are performed by Metro Cruise Services, LLC. This non-exclusive management agreement is scheduled to expire on April 30, 2015 or "the date on which the Port commences cruise ship operations at another facility... which the Port has identified as its primary cruise ship facility..."

Port staff intends to issue a RFP to responsible parties able to manage cruise terminal passenger operations at the new primary James R. Herman Cruise Terminal at Pier 27 as well as other Port facilities designated for cruise ship berthing.

In addition to the 40-80 cruise calls a year, the Port intends to utilize the Cruise Terminal as a conference and special event venue. Demand for such a venue may come from a variety of sources: Moscone Center conventions that may desire a waterfront venue to hold receptions and other conference functions, private corporations that need space for product announcements, off-site meetings, incentive events, and corporate parties, Bay Area universities and non-profits for fundraising events and award banquets, private parties hosting weddings, anniversaries, family reunions, privately-promoted consumer shows and entertainment events, and publicly-sponsored maritime, cultural and entertainment events. The terminal facility design provides for approximately 50,000 square feet of total floor space, located in the second floor cruise passenger waiting area and the ground floor baggage area. In addition, there may be opportunities, such as temporary food cart events, in the ground transportation area.

Accordingly, Port staff intends this RFP will solicit parties able to manage special events as well as to coordinate parking and traffic operations when the Cruise Terminal is used during cruise events and special events. At other times, the entity will be requested to manage daily parking in support of other waterfront activities.

In brief, Port staff envisions having a single or joint-venture management entity (Management Entity) to manage cruise terminal operations and coordinate parking and special event activities. This will enable the Cruise Terminal to be used year-round, generate revenue, and create an inviting amenity that supports and activates public use of the Northeast Wharf Plaza and other available public areas.

PORT GOALS AND OBJECTIVES

The Port seeks a Management Entity to:

- Operate the Cruise Terminal as a world class facility for cruise lines, cruise passengers, and special event participants, while minimizing operational costs and maximizing revenues to the Port;
- Operate Pier 35 and other piers as back-up cruise berths;
- Maximize the number of cruise ships and other vessels to berth at the Port of San Francisco;
- Develop a comprehensive operating plan that provides for an efficient management and operation of the Cruise Terminal facility;
- Actively promote and market the Cruise Terminal as a conference and special event venue in coordination with San Francisco Travel;
- Generate revenue to the Port from terminal operations, parking and special event use (when there is no cruise ship berthing);
- Promote the Northeast Wharf Plaza as a year-round, waterfront destination to local residents and out-of-town visitors;
- Use best management practices and standards for operating Pier 27 for maritime, conference/special event, and parking uses;
- Undertake maintenance responsibilities for the Cruise Terminal, as determined by the Port.

OVERVIEW OF OPPORTUNITY

If approved, the RFP is expected to be issued by late September 2012 and seek a Management Entity with demonstrated experience in cruise terminal operating services and in managing conferences and special events. This management entity must be structured to manage: 1) cruise operations, 2) conference/special events and 3) parking and traffic operations.

Management Services

The Management Entity must demonstrate the ability to accomplish the following services:

1. Passenger Cruise Terminal Facility Management:

- a) Provide equipment and gear, not provided by the Port, but which is necessary for all cruise terminal operations;
- b) Manage all facility operations, including terminal security and safe berthing of passenger vessels;
- c) Coordinate with Federal Inspection Services to maximize rapid, convenient and efficient movement of passengers and handling of baggage; and
- d) Maximize safe and efficient flow of vehicular and pedestrian traffic into and out of the Cruise Terminal during a cruise event.

2. Vessel Operations:

- a) Develop, maintain, and update a comprehensive schedule of vessel arrivals, departures, and berthing assignments and submit it to the Port quarterly in accordance with the Port's goal to maximize the number of calls from cruise vessels and other maritime vessels (including Fleet Week ships, Tall Ships, NOAA vessels, etc.);
- b) Coordinate arrivals and departures of passenger vessels and coordinate berthing assignments with vessel operators, as directed by the Port's Maritime Division;
- c) Ensure the appropriate positioning of the mobile passenger gangway for the operation of the Cruise Terminal at all times;
- d) Coordinate and attend all vessel arrivals and departures and document and inform the Port of any observed damage to pier, pilings, fender system and Cruise Terminal premises. The Management Entity shall take all reasonable action to recover the costs of damage to pier, pilings, fender system and Cruise Terminal premises from the cruise lines or other vessel owners;
- e) Coordinate and cooperate with the U.S. Coast Guard and all City, state and federal agencies and authorities with regulatory jurisdiction over passenger Cruise Terminal operations to provide and ensure safe transit operations, working conditions and emergency services for the protection of all passengers, dockworkers, Port employees, and visitors on Pier 27 Cruise Terminal premises.

3. Conference and Special Events Management:

- a) Develop, maintain and periodically update a comprehensive schedule of non-cruise events;
- b) Schedule the proposed special events so that they will not conflict with cruise terminal operations, but maximize the revenue potential and utility of the Cruise Terminal;
- c) Develop an implementation plan to promote and coordinate special events which attract visitors as well as local and regional audiences to the waterfront. As noted above, events may include meetings, conferences and other events within the terminal, and cultural and entertainment events in the terminal and the ground transportation area;
- d) Ensure that an event organizer complete all necessary logistics to plan and stage an event.

4. Parking Management:

- a) Use best management practices and standards for operating the ground transportation areas for daily (i.e., non-commuter) and special event parking when not operated as a cruise terminal facility.

5. Maintenance and Repair of Facilities and Equipment:

- a) Maintain the Cruise Terminal in a neat, clean, safe and orderly condition;

- b) Retain sufficient personnel, equipment and contracted services in order to provide a level of customer service equal to, or exceeding those of, comparable cruise terminals on the U.S. West Coast;
- c) Maintain and ensure that all equipment provided by the Port will be in excellent operational condition, including all Port-owned, interior fixtures, equipment (including security-screening equipment and stevedoring equipment such as forklifts, etc.) and furniture.

6. Security:

- a) Provide U.S. Coast Guard-approved Cruise Terminal Security Plan in compliance with 33 Code of Federal Regulations 128 et seq;
- b) During non-cruise days, the Management Entity shall maintain security for the Cruise Terminal, as determined by the Port;
- c) Provide sufficient and effective security communications equipment to facilitate security operations required at the Cruise Terminal in accordance with the provisions of the Security Plan.

7. Administrative Services:

- a) Provide sufficient personnel to manage and operate the Cruise Terminal for cruise days and non-cruise days, including custodial services for restrooms, trash removal/recycling, and window-washing;
- b) Invoice and take all reasonable action for collection of fees from the cruise lines and other users and remit to the Port all applicable fees;
- c) Submit an annual review of the Port payment and Cruise Terminal operating expenditures;
- d) Promote the active use of the Cruise Terminal, soliciting new business and special events for the Port;
- e) Pay all license fees, taxes, and assessments associated with the Management Agreement except for possessory interest tax, if any;
- f) Submit a monthly gross receipt accounting for cruise terminal, special event and parking revenue and expenditures.

Management Term

The initial term of any contract resulting from this proposed solicitation is expected to be 10 years. The Port may include one option to extend for an additional period to be negotiated and exercised at the Port's discretion.

Payments to the Port

After evaluation and scoring of all respondents, the annual use fee to the Port and other provisions will be negotiated with the selected Management Entity.

EVALUATION CRITERIA

The proposed RFP will require interested respondents to the RFP must submit written evidence that they satisfy minimum qualifications by detailing their prior experience. To qualify for consideration, each respondent must possess at least 20 years in cruise terminal operations at a major port in the United States, have at least 8 years in special event management at a major metropolitan area in the United States, and have at least 5 years operating parking areas of at least similar dimensions and with comparable multi-use characteristics. Any submittal that does not demonstrate that the respondent meets these minimum requirements will be considered non-responsive and not be eligible for award of the contract.

If a respondent fulfills these minimum qualifications, then their submittals will be ranked based upon a submittal of how they plan to manage the passenger terminal, conferences and special events, and parking. Their submittals will be ranked based on certain evaluation criteria, as shown on Exhibit B. The highest-ranked respondent will be invited to enter into negotiations for a Management Agreement with the Port.

SCHEDULE

If the attached resolution is approved, Port staff will issue the RFP by late September 2012. Responses to the RFP will be due in approximately 10 weeks. The evaluation and ranking of responses will be done by the end of December and the highest-ranked respondent will be invited into negotiations with Port staff. It is hoped that negotiations of the Management Agreement can be concluded by early 2013 so that the Port Commission may consider the award of the Management Agreement in Spring 2013.

RECOMMENDATION

Port staff recommends that the Port Commission authorize and direct staff to issue an RFP for a Cruise Terminal Passenger Operations, Parking and Special Events Management Agreement at the Pier 27 James R. Herman Cruise Terminal.

Prepared by: John Doll, Project Manager
Planning & Development

For: Byron Rhett, Deputy Director
Planning & Development

Peter Dailey, Deputy Director
Maritime

Exhibit A: Pier 27 Site Map
Exhibit B: Evaluation Criteria

EXHIBIT B – Evaluation Criteria

1. Management Structure and Capacity to Perform

- A description of itself, its history, principal ownership structure and staff;
- A detailed management structure that would have these distinct use components: 1) maritime terminal, 2) conference and special events and 3) parking;
- Written business references to better substantiate respondent's financial sustainability for the proposed operation.

2. Concept Financial Capability and Terms

- Respondent's financial position, including a copy of its most recent financial statements, if a publicly held entity. Description of any financial partners in the proposed operation and, if applicable, include their financial statements.

3. Terminal Management Experience

- Relevant terminal management experience for full-service cruise terminal operations at a major port in the United States;
- Financial terms used for other similar terminals operated by the respondent.

4. Conference & Special Events/Parking Experience

- Relevant conference and special event experience, with particular emphasis on managing an event which attracts local as well as regional audiences;
- Identification of resources needed to manage these events;
- A conceptual management plan in coordination with San Francisco Travel and local event planning firms for these special events. Indication of how the management entity might market and implement special events and what kinds of activities might be held at Pier 27;
- Relevant parking management experience.

The first part of the chapter discusses the early history of the United States, from the time of the first European settlers to the American Revolution. It covers the exploration of the New World, the establishment of the first colonies, and the struggle for independence from British rule.

The second part of the chapter discusses the period of the American Revolution, from the outbreak of the war in 1775 to the signing of the Constitution in 1787. It covers the military campaigns, the political struggles, and the eventual victory of the United States.

The third part of the chapter discusses the period of the early republic, from the signing of the Constitution in 1787 to the end of the War of 1812 in 1815. It covers the development of the federal government, the expansion of the territory, and the rise of the industrial revolution.

The fourth part of the chapter discusses the period of the mid-19th century, from the 1820s to the 1850s. It covers the expansion of the territory, the rise of the industrial revolution, and the growing tensions between the North and the South.

The fifth part of the chapter discusses the period of the American Civil War, from 1861 to 1865. It covers the causes of the war, the military campaigns, and the eventual victory of the Union.

The sixth part of the chapter discusses the period of the Reconstruction era, from 1865 to 1877. It covers the efforts to rebuild the South, the struggle for civil rights, and the eventual establishment of the Reconstruction era.

The seventh part of the chapter discusses the period of the Gilded Age, from 1877 to 1900. It covers the rapid industrialization, the rise of the big business, and the social and economic changes of the era.

The eighth part of the chapter discusses the period of the Progressive Era, from 1900 to 1917. It covers the efforts to reform society, the rise of the Progressive movement, and the eventual establishment of the Progressive era.

The ninth part of the chapter discusses the period of the World War I era, from 1917 to 1918. It covers the United States' entry into the war, the military campaigns, and the social and economic changes of the era.

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 12-66

- WHEREAS, Section B3.581 of the Charter of the City and County of San Francisco empowers the Port Commission with the power and duty to use, conduct, operate, maintain, regulate and control Port area of the City and County of San Francisco; and
- WHEREAS, The City and County of San Francisco, by and through its Port Commission, holds in trust, and subject to its lawful disposition, certain maritime facilities, including passenger terminals situated in the City and County of San Francisco, that are necessary for conducting passenger cruise operations; and
- WHEREAS, On September 16, 2006, the Port staff informed the Port Commission that the Port Executive Director would appoint a Cruise Terminal Advisory Panel to recommend a long-term master plan and strategy to implement a cruise terminal project; and
- WHEREAS, The Port Commission accepted on September 27, 2007 the Cruise Terminal Advisory Panel's recommendations to develop a single-berth primary cruise terminal at Pier and to implement a strategy to build this facility to meet all of the industry standards for a home port cruise terminal; and
- WHEREAS, On April 27, 2004, by Resolution 04-38, the Port Commission approved the Non-Exclusive Management Agreement #13652 with Metropolitan Stevedore Company for a term of five years (to 2009) to serve as operator and manager for passenger cruise terminal operations at Pier 35 and at other appropriate locations as required; and
- WHEREAS, On February 7, 2007, by Resolution 07-10, the Port Commission approved a First Amendment to the Non-Exclusive Management Agreement #13652 with Metro Cruise Services (successor to Metropolitan Stevedore Company) which extended the term for two additional years (until 2011) and specifically extended services to other facilities designated for cruise operations, such as Pier 27 and Piers 30-32, and authorized the Port Executive Director to execute additions, modifications to the First Amendment to Management Agreement #13652; and

- WHEREAS, On May 1, 2011, the Port Executive Director executed a Second Amendment to the Non-Exclusive Management Agreement #13652 between the Port and Metro Cruise Services for the management of the Port's cruise terminal at Pier 35 and other facilities designated for cruise operations, which Agreement is scheduled to expire on April 30, 2015 or the date the Port commences cruise ship operations at another primary facility; and
- WHEREAS, On December 16, 2011, by Resolution No. 11-75, the Port Commission adopted California Environmental Quality Act Findings and a Mitigation Monitoring and Reporting Program and approved Pier 27 James R. Herman Cruise Terminal Project ("Project") as the primary cruise terminal for the Port of San Francisco and authorized construction contracts and other associated actions to authorize the Project; and
- WHEREAS, By Resolution Nos. 11-59, 11-78 and 12-40, the Port Commission authorized Phase 1 of the Project so that it can be used as a special event venue by the America's Cup Event Authority, and authorized Phase 2 so that it can be used as the Port's primary cruise terminal facility by 2014; and
- WHEREAS, the Port Commission now wishes to proceed with a competitive process to select an entity to manage the new Pier 27 James R. Herman Cruise Terminal and other Port facilities designated for cruise operations upon termination of the Non-Exclusive Management Agreement #13652; and
- WHEREAS, the Commission has reviewed and considered the environmental impact report ("EIR") prepared for the Project and finds that the EIR is adequate for its use as the decision-making body for the action taken herein; now therefore be it
- RESOLVED, That the Port Commission finds that since the EIR was finalized, there have been no substantial project changes and no substantial changes in project circumstances that would require major revisions to the EIR due to the involvement of new significant environmental effects or an increase in the severity of previously identified significant impacts, and there is no new information of substantial importance that would change the conclusions set forth in the EIR; and be it further
- RESOLVED, That the Port Commission incorporates the environmental findings contained in Port Commission Resolution No. 11-75, including the Statement of Overriding Considerations and Mitigation Monitoring and Reporting Program, by this reference thereto as though set forth in this Resolution; and be it further

RESOLVED, That the Port Commission authorizes staff to offer to responsible and qualified parties the opportunity to provide management services for the Pier 27 James R. Herman Cruise Terminal and other Port facilities designated for cruise operations through publication of a request for proposals process; and be it further

RESOLVED, That such management services includes cruise passenger operations, vehicle parking and conference and special events.

I hereby certify that the Port Commission at its meeting of September 11, 2012 adopted the foregoing Resolution.

Secretary



MEMORANDUM

September 6, 2012

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz

FROM: Monique Moyer *M Moyer*
Executive Director

SUBJECT: Informational presentation on the Request for Proposals (RFP) for a Master Tenant Opportunity at Pier 38 (located at Delancey Street and The Embarcadero)

DIRECTOR'S RECOMMENDATION: Informational Only – No Action Required

SUMMARY

Port staff proposes that the reuse of Pier 38 be subject to a competitive selection process soliciting a development entity to perform needed health and safety upgrades and lease the upgraded portions of the facility. Because Port staff is still assessing the long-term disposition of Pier 38, respondents should also be screened for their capabilities and qualifications to undertake the long-term redevelopment of Pier 38. After seeking Port Commission approval, Port staff proposes to issue the Request for Proposals (RFP) in October 2012.

BACKGROUND

On August 1, 2011, the Port took possession of Pier 38 from the Pier 38 Maritime Recreation Center and Carl Ernst. On September 2, 2011, the Port's Chief Harbor Engineer declared Pier 38 Shed, office spaces and the north apron dock area unsuitable for any occupancy due to existing health and safety violations. Occupants were asked to vacate the premises on September 30, 2011. By October 20, 2011, all occupants housed in the Pier 38 bulkhead building and pier shed were vacated. However, three vessels remain moored at Pier 38, despite the Port's safety concerns.

THIS PRINT COVERS CALENDAR ITEM NO. 9B

Since that time, Mr. Ernst has filed an appeal to the Port's repossession of Pier 38. The resolution to this appeal is still pending. A more complete background of the closure and repossession of Pier 38 is detailed in the Port's staff report of October 20, 2011.¹

In May 1997, the California Department of Boating and Waterways ("DBW") loaned \$1.465 million to Pier 38 Maritime Recreation Center to make improvements to Pier 38. As part of the loan agreement the Port entered into a Consent to Hypothecation of Lease and Agreement ("Hypothecation Agreement") with DBW – allowing DBW certain rights to assume the lease and operate Pier 38 or assign the lease (with the Port's consent) to a third party to operate Pier 38 and continue to make payments to repay the loan. Though the loan and the Hypothecation Agreement remain outstanding DBW has taken no actions to assume the lease. Port staff will continue to work with representatives of DBW to resolve their rights under the Hypothecation Agreement.

On October 25, 2011, Port staff recommended next steps, one of which was the retention of Creegan & D'Angelo to perform a detailed investigation of the then existing conditions of the pier, develop options for future use of the facility, and preliminary cost estimates for each of the options. These investigations included demolition of selected walls and flooring to expose hidden electrical, plumbing and structural installations to determine whether prior construction methods were done properly and conformed to Building Code requirements.

At the January 13, 2012 Port Commission meeting, staff presented an informational update regarding an engineering study that was performed. In coordination with Port staff, Creegan & D'Angelo established the maximum occupant load allowed for each option based upon not triggering a seismic upgrade, by determining the occupant load for office areas in the bulkhead structure and establishing how much parking could be included within the shed. A seismic pier upgrade was not considered as an option due to its high cost. Creegan & D'Angelo findings regarding these options including their cost estimates for bulkhead structure re-occupancy and limited pier shed improvements are outlined in the Port's staff report of January 13, 2012².

In addition, Creegan & D'Angelo developed two options for the marina portion of Pier 38. Since the existing marina float was not designed for wave exposure and its current condition is very poor, Creegan & D'Angelo recommended that either the marina floats be demolished for \$338,704 or demolish the floats and replace them with a temporary berthing float for small vessels for a cost of \$768,858.

In the October 20, 2011 staff report, staff also identified four long-term reuse strategies for Pier 38:

1. Port "Public Works" Project: Port funds all or a portion of the necessary improvements and the Port's real estate staff could lease the pier to individual tenants, similar to Pier 9, Pier 50 and the majority of the Port's leasable assets.

¹ <http://www.sfport.com/modules/showdocument.aspx?documentid=2403>

² <http://www.sfport.com/modules/showdocument.aspx?documentid=3231>

2. Master Tenant Project: Through a competitive selection process, the Port selects a private entity who would fund all or a portion of the repairs for occupancy of the bulkhead structure; this entity leases to individual tenants, similar to the Piers 19-23 Foreign Trade Zone.
3. Master Developer Project: Through a competitive selection process, the Port selects a Master Developer who would fund all or a portion of the repairs; this entity would lease the entire pier structure to end-users similar to projects as Pier 1 or Piers 1 ½ -5.
4. No Project: Pier 38 remains shuttered until market conditions, legal status, and regulatory conditions make it feasible to proceed with repair/development of Pier 38.

At that time, Port staff presented these options for consideration by the Port Commission.

PORT GOALS AND OBJECTIVES

Port staff now recommends that the reuse of Pier 38 be put out to a competitive selection process soliciting a master tenant to perform needed health and safety upgrades and lease the upgraded portions of the facility. Port staff believes that this approach achieves the immediate goal to re-tenant the bulkhead building because it relies upon private capital and expertise to expedite the rehabilitation of the bulkhead building. The Port recommends that re-tenanting and subsequent development of Pier 38 proceed with a private partner.

The solicitation will seek a respondent to develop a strategy to fund improvements that will allow re-occupancy of the bulkhead structure with limited pier shed improvements. The RFP will require respondents to propose the most effective implementation strategy to re-tenant the bulkhead building in order to achieve the Port's goal of bringing the bulkhead building back into economic use and provide an on-going revenue stream to the Port.

The RFP will encourage these re-tenanting uses in the bulkhead building: 1) restaurants and visitor-serving commercial, entertainment and cultural uses, 2) office, high technology uses, and/or 3) maritime uses that complement adjacent waterfront development. These uses would continue the Port's Waterfront Land Use Plan's goal of continuing the redevelopment of the South Beach waterfront from the Bay Bridge to AT&T Ballpark, reviving this historic structure and helping knit Pier 38 into the South Beach neighborhood by bringing people and business activity to the waterfront.

Finally, this approach will require a respondent to propose a strategy to repair and re-tenant the bulkhead structure, but will qualify respondents for later consideration of the long-term reuse of the entirety or the majority of Pier 38. Long-term feasibility of the rehabilitation of the entire pier including its substructure will necessitate the funding of

an expensive seismic upgrade and a lengthy entitlement process. Because Port staff is still assessing the long-term disposition of the Pier 38, it would be advantageous to partner with an entity that has the capabilities and qualifications to undertake a long-term redevelopment of the pier. This solicitation process would evaluate the qualifications of respondents, but long-term pier redevelopment proposals would have to be considered by a subsequent Port Commission action.

Therefore, Port staff recommends a solicitation approach where the bulkhead structure repair and re-tenanting be accomplished in the short-term with a partner that has the qualifications to undertake a long-term redevelopment of the pier, if feasible. Through the solicitation process, the Port will ask respondents to propose short-term re-tenanting solutions of the bulkhead building and provide qualifications for the long-term redevelopment of the pier.

OVERVIEW OF OPPORTUNITY

If approved, the RFP would be issued in October 2012 and seek a respondent with demonstrated experience in rehabilitating, developing, and operating facilities similar to Pier 38. An ideal candidate would have experience with historic rehabilitation of waterfront structures, an ability to identify and secure target tenants, and a demonstrated ability to operate and maintain real estate facilities once completed. In addition, such a candidate should have a proven ability of working with public agencies to achieve results desired by the Port.

As noted above, a response to the RFP will include a short-term implementation strategy of the Pier 38 bulkhead structure. The RFP will evaluate respondents' qualifications to undertake the development of the remaining pier structure in the long-term.

The Port assumes that the rehabilitation of Pier 38 will be funded through private sector investment and expects that the successful candidate will fund physical improvements, and provide for on-going operating/maintenance costs as well as provide security for the pier.

The negotiated transaction of the bulkhead building between the Port and a successful respondent will be at fair market rent; the interim lease term will be 10 years. The Port may include an option to extend for an additional period to be negotiated and exercised at the Port's discretion.

SELECTION PROCESS

Port staff recommends a selection process consisting of the following steps:

- 1. Request for Proposals** – Staff will prepare an RFP requiring submittal of long-term re-use qualifications, a short-term proposal to re-tenant the bulkhead building, including a financial proposal. Respondents would be required to tender

an earnest money deposit that would be refundable to all respondents except the one with whom the Port enters into exclusive negotiations.

2. **Evaluation of Proposals** – Proposals will be screened for responsiveness to the RFP. Responsive proposals from qualified respondents will undergo technical evaluation. Following this review, staff would recommend the highest ranked candidate to the Port Commission. The Port Commission would select a candidate and direct staff to enter into exclusive negotiations.
3. **Approval of Transaction** - Upon completion of any required environmental review and finalization of negotiations by Port staff, the Port Commission would consider the lease and related documents. Given its term, the lease will also be subject to approval by the San Francisco Board of Supervisors.

SELECTION CRITERIA

The Port intends to select a candidate for the Pier 38 project based on the information contained in the responses to the RFP, an investigation of the entity's financial capability, past projects and performance, interviews (if Port staff elects to hold such interview) and other pertinent factors.

Evaluation of the submitted proposals will require technical real estate and planning analysis. In particular, the following criteria are identified for proposal evaluation. The evaluation weighting of these factors will be specified in the RFP.

Experience, Qualifications, and Financial Capability for Re-Tenancing of the Bulkhead Building and the Long-Term Development of Pier 38

- Experience with projects of comparable size, land use, visibility and expense, especially for projects located in the San Francisco Bay Area
- Experience of respondent's team members and key personnel
- The respondent's ability to fund the proposed project
- The respondent's overall financial track record

Proposed Development Design and Tenant Program of the Bulkhead Building

- The design and architectural quality and constructability of the proposed design concept for the bulkhead structure
- The respondent's demonstration to re-tenant the bulkhead structure with uses consistent with the Port's goals and objectives
- The reasonableness and feasibility of the respondent's proposed re-tenancing concept in achieving the Port's objectives
- The probability of obtaining approvals for the proposed design, given the physical and legal constraints on development

Proposed Financial Terms for Tenant Program of the Bulkhead Building

- The proposed annual rent for the site
- Private investment in Port property
- The term of the interim lease

- Additional revenues from all participation structures proposed

PROJECTED RFP SCHEDULE

To properly advertise the RFP opportunity and to allow interested parties sufficient time to perform reasonable due diligence and prepare detailed proposals, Staff proposes the following RFP schedule:

Port Commission authorization to issue RFP	September 25, 2012
Issue RFP	October 2012
Tentative submittal deadline	January 15, 2013
Evaluation of proposals	Early 2013
Port Commission approval of ENA with selected respondent	Spring 2013
Port Commission lease approval	Summer 2013
Board of Supervisors' lease approval	Summer 2013

This schedule is an estimate and may vary on factors beyond Port's Staff's control. Staff will update the Port Commission on the response to the RFP and schedule for evaluation.

SUMMARY

Port staff recommends that the Port Commission direct staff to return to the Commission with a resolution authorizing issuance of an RFP to rehabilitate the Pier 38 bulkhead structure and limited pier shed improvements for re-occupancy while allowing the Port, in conjunction with this entity, to consider the long-term reuse of the entirety or the majority of the pier structure. After Port Commission approval, Port staff will incorporate Port Commission input and issue the Request for Proposals (RFP) in October 2012.

Prepared by: John Doll, Project Manager
Planning & Development

For: Byron Rhett, Deputy Director
Planning & Development



MEMORANDUM

September 6, 2012

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz

FROM: Monique Moyer 
Executive Director

SUBJECT: Informational update on status of Port infrastructure work, tenant relocation and other Port obligations under the Lease Disposition Agreement in preparation for the 34th America's Cup Events in 2012 and 2013

DIRECTOR'S RECOMMENDATION: No Action Required; Informational Item Only

OVERVIEW

On March 27, 2012, by Resolution 109-12, the Board of Supervisors unanimously authorized the Port Executive Director, upon Port Commission approval consistent with the Board's authorization, to execute a Lease Disposition Agreement ("LDA") between the City acting through the Port and the America's Cup Event Authority ("Authority") subject to certain risk management conditions specified in the Board's resolution, and as an amendment to the 34th America's Cup Host and Venue Agreement between the City and the Authority setting the framework for the City to host the 34th America's Cup ("AC34") events in 2012 and 2013. The Port Commission authorized the Port Executive Director to enter into the LDA subject to the conditions specified in the Board's resolution and approved the Port's form of Venue Lease and Venue Licenses under which the Port would deliver Port property to the Authority for AC34 events on April 24, 2012 by Resolution 12-35,

On August 14, 2012, the Port and Authority executed the LDA, as recommended by the Risk Manager and Director of the Office of Economic and Workforce Development ("OEWD"). In the course of negotiations, the parties agreed to terms regarding the Authority's remedies in the case of certain force majeure events with respect to delivery of the Cruise Terminal and phase II of the Piers 30/32 work which were not contemplated in the prior Port Commission and Board of Supervisors approvals. Accordingly, the LDA

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requires the City to make good faith efforts to seek Port Commission and Board of Supervisors approval of those provisions no later than October 17, 2012. Staff will present a more detailed summary of the provisions of the final LDA and seek the Port Commission's approval of the force majeure provisions in an upcoming meeting.

Concurrent with the execution of the LDA, Port and the Authority executed Venue Leases for: Piers 30/32, portions of Pier 19-23, and portions of the Pier 27/29 Valley and Venue Licenses for: Pier 80 and portions of Pier 45, each in the form approved by the Port Commission. The LDA and Venue Leases and Licenses were effective immediately. The execution of the Venue Leases and Licenses terminated all prior interim licenses. Delivery of additional venues and return dates are scheduled in the LDA.

At the May 29, 2012 Port Commission meeting, Port staff provided a staff report, dated May 24, 2012 and briefing on the status of the AC34 preparations scheduled for 2012 and 2013. Staff provided monthly updates to the May report at the July 5, 2012 and August 10, 2012 meetings of the Port Commission. This staff report provides the fourth monthly update to the Port Commission describing preparations for AC34. The report includes:

- an update on the One Stop Shop at Pier 23;
- a progress report for Port capital projects required by the LDA;
- funding sources for the delivery of these projects;
- a description of continuing permitting efforts for AC34;
- an update on the James R. Herman Cruise Terminal and Brannan Street Wharf construction projects, as well as on repairs to Pier 29 following the fire of June 20, 2012;
- an update on tenant relocation efforts at sites that will be delivered to the Authority under Venue Leases and the status of delivery of these sites to the Authority; and
- a description of the Port's efforts to repair the Venues pursuant to the requirements of Section 1.2(g) of the LDA, which requires the Port to make repairs up to a maximum of \$500,000.

Port staff will continue to provide such regular monthly AC34 status reports during the project construction and implementation period, with updates from the Real Estate, Planning, Engineering and Finance Divisions, as appropriate.

ONE STOP SHOP

On August 2, the America's Cup Event Authority ("ACEA"), partnered with OEWD, the Port, 311, SF Travel and the San Francisco Chamber of Commerce, and opened the One Stop Shop at Pier 23. Anne Taupier of OEWD serves as director of the One Stop Shop office, the purpose of which is to provide a single point of contact for America's Cup competitors and the public alike, similar to a service provided by the government of Spain during the 33rd America's Cup.

Traffic in the One Stop Shop increased substantially during the week of August 20th, as public awareness of this resource increased and the August 2012 America's Cup World Series began.

AC34 PORT CAPITAL PROJECT UPDATE

Under the proposed LDA, the Port will undertake several required infrastructure improvements to support Venues programmed for Port waterfront facilities, including public access improvements to meet the San Francisco Bay Conservation and Development Commission's ("BCDC") requirements and environmental improvements to meet other permitting requirements. These improvements, described below, include improvements to Piers 27-29, which will be coordinated with the ongoing construction of Phase 1 of the James R. Herman Cruise Terminal:

1. Pile repairs to Pier 29 substructure, and demolition and reconfiguration of the north end of the Pier 29 shed prior to the 2013 events;
2. Stormwater management improvements along the north end of Piers 27-29 deck prior to the 2013 events;
3. Upgrade to Pier 23 electrical utilities prior to the 2013 events;
4. Repairs and utility upgrades to Piers 30-32, which will be implemented in two phases; Phase 1 repairs will occur prior to the 2012 events, Phase 2, prior to the 2013 events;
5. Repair of Pier 19 south apron prior to 2013 events;
6. Demolition of Pier 1/2 prior to 2013 events; and
7. Removal of Pier 64 and construction of bird platform at Pier 64 after the 2013 events.

As authorized by the Port Commission on April 24, 2012, Port staff executed the fourth amendment to the Construction Manager/General Contractor contract with Turner Construction Company to increase the total authorization from \$49,978,883 to a total authorization of \$64,719,777 (an addition of \$14,740,894) to fund new public improvements related to AC34 events at Pier 29, Pier 23, Pier 1/2, and Piers 30-32. In the case of the Pier 19 South Apron project, Turner will purchase piles for the Port and Port Maintenance staff will perform the construction.

Table 1: Status of AC34 Capital Projects					
No.	Project Title	Design Completion Date	Scheduled Construction Start	Scheduled Construction Completion	Current Status
1	Pier 29 Substructure Repair	04/27/2012	07/09/2012	09/15/2012	Substructure repair work has begun, with completion expected before Thanksgiving 2012.
2	Pier 23 Electrical Upgrade	07/20/2012	09/01/2012	12/31/2012	Drawings in progress
3	Pier 19 South Apron	04/27/2012	08/01/2012	02/15/2013	Scheduled to receive piles 08/31/12. Work scheduled to begin no later than 9/7/12.
4	Pier ½ Demolition	04/27/2012	08/15/2012	12/31/2012	Scheduled to start work 09/4/12 and finish October 2012.
5.1	Piers 30-32 Phase 1	05/21/2012	06/27/2012	07/20/2012	Complete
5.2	Piers 30-32 Phase 2	08/31/2012	10/20/2012	02/14/2013	Port is reviewing phase 2 drawings and coordinating with ACEA
6	Pier 64 Demolition & Caspian Tern Nesting Platform	March 2013	09/02/2013	01/29/2014	Drawings in progress
7	Pier 29 North End Reconfiguration	04/27/2012	06/24/2012	08/31/2012	Construction in progress
8	Pier 27-29 North Tip Drainage	06/28/2012	Jan. 2013	03/01/2013	Permits pending
9	Piers 30/32 Dredging		10/15/2012	11/30/2012	Permits pending

Project Nos. 7 and 8 in Table 1 above are included in the third amendment to the Turner construction contract.

In addition to the capital construction projects listed above, BCDC's approval of the AC34 project also requires temporary public access improvements in the form of two "parklets" for the 2013 events, on the marginal wharf between Piers 9 and 15; and at the Pier 24 lookout point of the Bay Bridge. The Port is working cooperatively with the Exploratorium, as the Pier 9-15 parklet may include a portion of the marginal wharf within the Exploratorium leasehold, and with a consultant, Rebar, to develop a concept design for both locations. The parklet improvements would be in place by June 30, 2013 for the America's Cup events, through October 2013.

The Port also has hired a consultant to develop recreational water access improvements for kayaks and non-motorized craft at the Pier 52 public boat launch, another BCDC public access requirement for AC34. The consultants, Creegan + D'Angelo and Coastal Engineering, have developed a concept design that allows the existing float to be improved with a lower platform to allow kayakers and other low-boarding craft easy access.

FUNDING

The projects listed above are financed with a combination of funds from the following sources: (i) Port capital funds, (ii) 2010 Port Revenue Bond funds reallocated for AC34 projects, (iii) funding from the America's Cup Organizing Committee, (iv) funding from a new certificates of participation ("COPs") issuance which the City will undertake on behalf of the Port, and (v) San Francisco County Transit Authority's Proposition K grant funds. The City and Port are working on the COP issuance. In the interim, the City has agreed to use commercial paper to provide bridge financing for these critical projects until the COPs are issued.

Table 2 below shows a breakdown of funding for the Port's AC34 construction projects and Cruise Terminal-related projects.

Table 2: AC34 Project Funding Sources							
No.	Project Name	Current Estimated Project Cost	COPs / Com. Paper	Port Capital	Reapprop. Port Revenue Bonds	ACOC Funds	Prop K Grant Funds
1	Pier 29 Substructure Repair	\$1,114,200	\$314,200			\$800,000	
2	Pier 23 Electrical Upgrade	\$552,000	\$552,000				
3	Pier 19 South Apron	\$1,200,000	\$1,200,000				
4	Pier ½ Demolition	\$1,336,400		\$36,400			\$1,300,000
5.1	Piers 30-32 Phase I	\$1,588,800			\$1,588,800		
5.2	Piers 30-32 Phase 2	\$3,371,600			\$3,371,600		
6	Pier 64 Demolition & Bird Nesting Platform	\$1,047,000		\$1,047,000			
7	Pier 29 North End Wall Configuration	\$800,000				\$800,000	
8	Pier 27-29 North Tip Drainage	\$1,598,600	\$1,598,600				
9	AC34 Improvements 10% Project Contingency	\$1,260,860	\$526,480	\$238,340	\$496,040		
10	GM.GC Fee	\$1,098,500	\$226,000	\$189,500	\$683,000		
11	Materials Testing & Special Inspect	\$275,000	\$275,000				
12	AC34 Project Management	\$250,000	\$250,000				
13	AC34 Environmental Plan & Monitoring	\$503,100	\$503,100				
14	Other AC34 Soft Costs	\$250,000	\$250,000				
Total		\$16,246,060	\$5,695,380	\$1,511,240	\$6,139,440	\$1,600,000	\$1,300,000

The Port has awarded contracts for demolition of Pier ½ and substructure repairs to Pier 29. Work on both projects is scheduled to begin in late August. Phase I work at Piers 30-32 is complete, and the ACEA has commenced constructing team bases at that location.

Total Delivery Costs for the AC34 Construction Projects: (Items 1 through 6, 9 and 10):	\$12,569,360
Total Costs for the Cruise Terminal Projects (Items 7 and 8):	\$2,398,600
Total Estimated A&E, Environmental, and Other Soft Costs (Items 11 through 14):	<u>\$1,278,100</u>
TOTAL:	\$16,246,060

CALIFORNIA ENVIRONMENTAL QUALITY ACT AND PERMITTING

The environmental effects of the improvements to Port facilities were analyzed in the 34th America's Cup and James R. Herman Cruise Terminal and Northeast Wharf Plaza Final Environmental Impact Report, which was certified by the Planning Commission on December 15, 2011, and upheld by the Board of Supervisors on January 24, 2012. Port and City staff members are currently working with regulatory agencies to secure required reviews and permits.

The following permitting processes are complete:

- *U.S. Army Corps of Engineers ("USACE") Section 10 permit*
- *San Francisco Bay Regional Water Quality Control Board 401 Water Quality Certification*
- *National Marine Fisheries Service ("NMFS") Section 7 Permit*
- *National Oceanic and Atmospheric Agency ("NOAA") Incidental Harassment Authorization ("IHA")*
- *California Department of Fish and Game ("CDFG") 2081 Statement of Concurrence*

The processes listed below are not yet full complete.

San Francisco Bay Conservation and Development Commission ("BCDC"): This permitting process is complete, subject to further amendments to conform to the Authority's most recent AC34 site plans.

U.S. Fish and Wildlife Service ("USFWS") Section 7: The Port's approved Biological Assessment is currently under review by USFWS. Staff expects USFWS will issue a statement of concurrence soon.

State Lands Commission ("SLC") Lease: A lease application for dredging is currently under review by SLC.

JAMES R. HERMAN PIER 27 CRUISE TERMINAL, BRANNAN STREET WHARF, AND PIER 29 FIRE DAMAGE

The Pier 27 Cruise Terminal Project remains on schedule. Procurement for Phase I of the project is approximately 93% complete based on volume.

Thirty bid packages are under contract or very nearly under contract, representing \$43 million of the project budget, including demolition, concrete, steel/deck/stairs, miscellaneous iron, exterior wall, roofing, elevators/escalators, mechanical, electrical, plumbing, fire protection, shore power, doors/frames/hardware, coiling doors, ceilings, flooring, fire door, rigid insulation, rough/finish carpentry, signage, tile, folding grilles, toilet partitions/miscellaneous accessories and interior drywall, fencing and painting.

Approximately \$3 million of the project budget is out to bid for paving (including North Point drainage). The paving package will be awarded in mid-September, 2012.

Table 3: Pier 27 Cruise Terminal Major Milestones

Critical Component	Anticipated Delivery
Structural Steel	Achieved
Exterior Metal Panels	Achieved
Escalators	9/14/12
Roof AHU's/Equipment	9/17/12
Shore power Substation	10/5/12
Electrical Switchgear & Generator	10/5/12
Transformer	10/05/12
Elevators	11/19/12

Pier 36 Removal Project is substantially complete, however, there is a very shallow area remaining at the very end of the former Pier. The Port is investigating the area to determine whether it is a natural shoal or the result of Pier 36 debris. The presence of this shallow area will not prevent construction of the Brannan Street Wharf, however, it is a hazard to navigation and complicates movement of material to and from the construction site. Should it be a natural shoal, it will be left in place and marked, as there are no plans to dredge the area.

Pile driving for the Brannan Street Wharf commenced on July 26, 2012 and is now 45% complete. Erection of falsework for the deck began on August 29, 2012. Construction continued unimpeded during the August AC45 World Series Race with good cooperation from the Event Authority. The Project remains on schedule for substantial completion on June 30, 2013.

Immediate stabilization of Pier 29 is substantially complete, with surveys to determine stability of remaining existing materials are underway. In late August, Port Staff and Port consultants began negotiations with insurance carriers to attempt to arrive at consensus on exact policy coverage. The scope of the coverage is driven by interpretation of the Port

Building Code and the California Historic Building Code. Rehabilitation of the pier building includes repair and in-kind replacement of missing and damaged features with upgrades required for safety and accessibility. Contract modifications for Turner Construction and Port design consultants Creegan and D'Angelo for Phase II work are in progress. Port engineering staff are working to establish milestones necessary to meet substantial completion by March 1, 2013 and final completion by April 30, 2013. Design documents will be released on a rolling basis throughout the month of September 2012. In response to the Port insurance carriers' request, Port and consultant staff will complete a rough order of magnitude cost estimate and schedule in the first week of September, which will assist in development of a funding plan for the project.

REAL ESTATE - RELOCATION

As previously reported, the Port's tenant relocation effort has been extremely successful. The event will displace about 40 Port tenants and licensees. The number of displaced tenants was significantly reduced from the initial Relocation Plan when Piers 26 and 28 were taken out of the project. The vast majority of relocations have already taken place and there are only a few still necessary for upcoming ACEA delivery dates. The Port was able to accommodate about half of the displaced tenants and licensees at other Port locations.

The Relocation Plan, adopted by the Port Commission in December 2001 (Resolution No. 11-82), governs the payment of relocation benefits to the displaced tenants and licensees. Claims for relocation benefits must be filed within 18 months of the move out date. The Port has been able to fully settle many of the potential claims in the process of relocating tenants through lump sum payments, rent credits for new Port leases or a combination thereof. There are three sources of funding to pay for relocation benefits: (1) Port funding for relocation benefits for tenants displaced by the Cruise Terminal project; (2) Controller funding for lost rents from other displaced tenants under MOU M-14962 (approved by Port Commission Resolution No. 11-20); and (3) OEWD funding for other relocation costs. Excluding relocation benefits paid to Bauer's Intelligent Transportation as part of its new lease at Pier 50 (Port Commission Resolution Nos. 11-83 and 12-12), the total approximate value of all relocation benefits paid to date by the Port through settlements with tenants displaced by the Cruise Terminal project is \$84,895. The remaining current total of benefits paid of approximately \$67,158 is reimbursable by the Controller or OEWD.

To date, Port has received only one claim for relocation benefits and has recommended payment of \$48,732 by OEWD for that claim. One other former Pier 19 tenant has asked for the relocation benefits form. The Port also anticipates that it will negotiate for payment of relocation benefits to Teatro Zinzanni as part of negotiating a possible new lease.

VENUE REPAIRS

Pursuant to Section 1.2(g) of the LDA, the Port and the Authority are required to perform facility walk-throughs at all Venues and prepare a joint list of repairs that the Port must

conduct. The sites include Piers 19, 19½, 23, 29, 29½, and 80-Shed A. Repairs are limited to useful long term code and capital improvements to Port facilities. Port Maintenance staff is providing the majority of the labor, and Port Engineering staff is conducting design and permitting work. Further details on the venue repairs projects may be found in Appendix A to this report.

To date, Port Maintenance personnel have:

- completed 90% of the listed improvements at Pier 23;
- completed 80% of needed demolition inside Pier 19; secured permits for 90% of venue sites; and
- expended approximately \$76,000 on materials and \$361,000 on labor for a total expenditure of \$437,000, or approximately 42% of the total budget for venue repairs.

City Department of Public Works contractors are supplementing Port Maintenance Staff with electrical, plumbing and lead abatement work. Sprinkler repairs are in progress through an ongoing Port Maintenance contract, with work being prioritized in those venues with the earliest required delivery.

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Brad Benson, Special Projects Manager
Peter Dailey, Deputy Director of Maritime

APPENDIX A

Table 3: AC34 Port Venue Repairs

No.	Project Name	Estimated Contract, Materials & Supplies Cost	Estimated Port Labor Cost	Facility Delivery Date to AC34
1	Pier 80 Shed A Egress Doors and Lighting & Lighting Repairs	\$7,700	\$36,450	8/14/12
2.1	Pier 23 Lead Abatement	\$83,500	\$0	8/14/12
2.2	Pier 23 Egress Doors and Lighting	\$14,700	\$39,250	8/14/12
2.3	Pier 23 North Apron Security Fence	\$17,000	\$0	8/14/12
2.4	Pier 23 Sprinkler Repairs	\$21,000	\$0	8/14/12
3.1	Pier 19 ½ Parking Ventilation	\$2,000	\$0	8/14/12
3.2	Pier 19 ½ Egress Doors and Lighting	\$6,350	\$43,150	8/14/12
4.1	Pier 29 ½ Parking Ventilation	\$2,000	\$0	As soon as CHE determines safety
4.2	Pier 29 ½ Demising Fence, Egress and Lighting	\$13,200	\$40,450	As soon as CHE determines safety
4.3	Pier 29 ½ Sprinkler Repairs	TBD	TBD	As soon as CHE determines safety
5.1	Pier 19 Lead Abatement	\$80,500	\$0	8/14/12 and 2/15/13
5.2	Pier 19 Demolition of Existing Fences, Trailers and Utilities	\$32,000	\$77,000	8/14/12 and 2/15/13
5.3	Pier 19 Egress Doors and Lighting	\$14,750	\$39,250	8/14/12 and 2/15/13
5.4	Pier 19 Restroom Repairs	\$17,750	\$26,750	8/14/12 and 2/15/13
5.5	Pier 19 Sprinkler Repairs & Fire Safety	\$32,000	\$0	8/14/12 and 2/15/13

By way of funding strategy for this work, while the grand total of work is approximately \$1,000,000, where possible, labor would be conducted by Port maintenance staff, with work funded by the existing operations budget. The Port staff estimates that \$545,950 of the work listed above can be resourced in this fashion; correspondingly, the Maintenance Division's Operations budget is listed as a source below.

Proposed Funding Sources – Port Labor

FY 2011-12, 2012-13 Port Maintenance Division Budget – Personnel (Labor)	\$545,950
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Staff propose all non-Port labor costs be funded as follows:

Proposed Funding Sources – Other

Source	Amount
FY 2011-12 Port Maintenance Division Budget – Materials and Supplies	\$140,250
FY 2011-12 Port Maintenance Division Budget – Interdepartmental Work Orders (DPW)	90,000
Department of Homeland Security Grant	17,000
Port Capital Funds programmed for America's Cup venue repairs	250,000

Total Sources **\$497,250**



MEMORANDUM

Sept 6, 2012

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz

FROM: Monique Moyer *M Moyer*
Executive Director

SUBJECT: Informational Presentation on Real Estate Revenues

DIRECTOR'S RECOMMENDATION: Information Only - No Action Required

Background

Port staff has prepared this informational item to present a snapshot of the Port's Real Estate portfolio. The Port manages 7.5 miles of San Francisco waterfront which represents 20.7 million square feet of leasable space and revenue of approximately \$59 million annually.

Portfolio of Revenue Generating Assets

In combination, the Real Estate and Maritime Divisions account for management of properties generating 97.3% of Port revenues received in FY 11-12. Attachment 1 to this staff report is an overview of the \$59.4 million in revenues generated by Real Estate in FY 2011-12. The overview consists of:

- A description of the different categories of lease revenues totaling \$52.7million which includes, fixed rate tenants occupying offices and industrial space, and percentage rent tenants with ground leases or retail space;
- A breakdown of area and revenue by lease category;
- A description of the additional non-lease revenues of \$6.7 million;
- Key statistics such as vacancy and receivable rates;
- Details on the Maritime Division's revenue totaling \$13.9 million; and
- Additional analysis of current rates vs. market and long term strengths and weaknesses.

*Note final figures are subject to change once the year end close process is complete but will not vary greatly.

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The Real Estate division proposes submitting quarterly reports to the Port Commission regarding revenue activity which shall include the revenue data and statistics in the attached overview.

Forecasting Methodology

Attachment 2 to this report describes the general assumptions and approach the Real Estate Division uses to forecast revenues. Generally, the methodology:

- Is a "bottom-up" approach using current leases, adjusting for annual inflation;
- Assumes existing leases would be replaced by leases with similar terms at expiration; and,
- Includes adjustments for known changes to individual leases or development projects

Additional Information

Port staff has been asked to compare its real estate operations to the private sector. Unfortunately, because of the Port's unique portfolio and 20 million square feet of diverse facilities, it is hard to compare ourselves to large portfolio managers. Consider:

- The Port both owns and manages its assets while most private sector owners out-source property management;
- Port staff manages environmental compliance, sidewalks, on street parking, and public spaces which are not part of private sector property management duties;
- The Port's portfolio includes heavy industrial uses such as rendering and cement batching facilities;
- While the Port's vacancy rate favorably compares to the private sector, its facilities are quite dissimilar, as the Port is the sole provider of warehouse space in close proximity to the Financial District, and Port office space (generally in bulkhead buildings with minimal parking) has no equivalent in the private sector.

Port staff was also asked how new development impacts the general lease portfolio. This is dictated by how various developments are negotiated and what entity manages the property once it is developed. The Port relies on public-private partnerships to help it preserve public assets for the enjoyment of the general public. There have been many development models utilized when negotiating with these partners.

- If a new development is managed and leased by a developer under a ground lease, the actual area appearing on the Port's rent roll would be the footprint of the development, excluding any additional area on upper floors from vertical development. In the immediate term, there is no impact to the Port's balance sheet because (a) public-private partnerships typically provide ground leases to the developer of 66 years, (b) the depreciable life of the improvements controlled by the developer (buildings and infrastructure) are 30-50 years, so, therefore (c) the current value to the Port of improvements with a 30-50 year lifespan which would only revert to Port control after a 66 year lease expires is assumed to be zero.

- Alternatively, if the new space will be directly managed and leased by Port staff such as the new cruise terminal at Pier 27, all area, including the vertical development, counts toward area on the Port's rent roll. In this case, because the Port controls the property, the Port's balance sheet would increase by the cost of the project.
- As such, new developments at Pier 70 or 8 Washington, which would likely be managed and leased by a developer under a ground lease, would not result in additional area under lease on the Port's rent rolls or an impact to the Port's balance sheet. However, while the area of vertical development is not captured in the rent roll, the value of the vertical development is embedded in the rent rate charged per square foot for the ground lease.

We hope that the information provided is informative and should the Commissioners wish to receive additional information, please advise and it will be included in future reports.

Prepared by:

Nate Cruz
Analyst for Real Estate

For:

Susan Reynolds, Deputy Director
Real Estate Division

Attachment 1

Real Estate Division Overview

Of the approximately \$75.3m in revenue received in FY 11-12¹, \$59.4m (78.9%) is from the Real Estate Division. An additional \$13.9m (18.4%) is from the Maritime Division and is discussed briefly at the end of this report.

Key Statistics as of June 2012:²

Shed Vacancy:	2.3%
Office Vacancy:	10.1%
Overall Vacancy:	3.5%
Square Feet Leased:	13.3 m
Leases:	415
Receivable Rate:	4.1%

LEASING

Real Estate primarily generates revenue through leasing Port assets under the following categories:³

1. **Fixed Rate Tenants:** Tenants that pay the same rate every month based on area, subject to annual inflationary adjustments. Types of space include:
 - a. **Offices:** The Port has B & C class office space in standalone buildings and pier bulkhead buildings (approximately 60,000 sqft of Class B and 260,000 of Class C space for a total of 320,000 sqft). The Port has no Class A space despite the Port's proximity to Downtown.
 - b. **Industrial Space:**
 - i. **Sheds:** The Port is one of the few landlords of industrial warehouse space serving the waterfront and the central business district.
 - ii. **Land:** Large areas of paved and unpaved land are available in the southern waterfront.
 - iii. **Other Space:** Consists of miscellaneous space such as encroachment permits and aprons.
2. **Percentage Rent Tenants:** Tenants that pay a percentage of sales (or profit in some cases) to the Port, subject to monthly minimum payments. Types of tenants include:
 - a. **Ground Leases:** The Port's 31 ground leases are the result of development projects, which typically include a long term ground lease to a developer that constructs a building or improves an existing facility, then subleases the ground leased space to smaller subtenants (such as Pier 39). In each development project, a fair market rent is negotiated which balances the revenue potential of the proposed project and the extraordinary costs of improving the Port's facility.
 - b. **Retail Tenants:**
 - i. **Restaurants:** The Port is one of the City's largest restaurant landlords with approximately 60 restaurants. This includes 26 direct tenants, with the remainder operating as subtenants to our Ground Lease tenants discussed above.
 - ii. **Merchandise Retailers:** There are 4 merchandise retailers who are direct Port tenants.

¹ Revenue figures are estimates subject to change pending the results of year end close processes.

² Statistics include Real Estate Division leases only, Maritime is not included.

³ Leasing activity generated \$52.7m in FY 11-12 (excludes other revenues discussed later in the report).

- iii. **Excursion Operators:** Includes 8 excursion leases for operators such as Blue & Gold (but excludes ferry transportation operators) and pedicab companies.
- iv. **Parking Lots:** The Port leases 13 lots to parking operators (excludes street parking discussed later).

Space Type	Area	Percent of Total Area	Annualized Revenue	Percent of Total Annualized
Office	207,099	2%	\$ 4,266,639	8%
Industrial	5,570,060	42%	\$ 13,533,159	26%
<i>Subtotal: Fixed Rate Tenants</i>	<i>5,777,159</i>	<i>43%</i>	<i>\$ 17,799,798</i>	<i>34%</i>
Ground Leases	5,826,675	44%	\$ 12,843,144	24%
Retail	1,738,541	13%	\$ 22,084,589	42%
<i>Subtotal: Percentage Rent Tenants</i>	<i>7,565,216</i>	<i>57%</i>	<i>\$ 34,927,733</i>	<i>66%</i>
Total Real Estate	13,342,374	100%	\$ 52,727,531	100%

REVENUE STABILITY

Real Estate leases are projected to provide stable revenues to the Port over the long term, approximately 46% of lease revenues come from leases with a remaining term greater than 5 years. Additionally, the Port is not dependent on any particular tenant, with the top 10 tenants accounting for approximately 30% of annual revenue.

Remaining Term	Percent of Annual Lease Revenue
Less Than 1 Year	23%
From 1 to 5 Years	30%
<i>Subtotal: Less Than 5 Years</i>	<i>54%</i>
From 5-10 Years	2%
Greater Than 10 Years	44%
<i>Subtotal: Greater Than 5 Years</i>	<i>46%</i>
Grand Total	100%

LEASE "PARAMETER" RATES

The Real Estate Division annually researches the market, and with validation from a third party, presents "parameter rents" to the Commission and requests authority to execute leases within those parameters. Parameter rents are considered the market rate for a particular category of Port property. An internal analysis in June 2012 concluded that current rates are at or near parameter, i.e., market rates. The analysis showed that if, upon termination over the next 5 years, the rents of the Port's larger fixed-rate tenants were increased to parameter, the forecasted revenues generated exclusively from fixed rate tenants would have increased by the end of the fifth year by only 2.3% or approximately \$725,000.

	Year				
	1	2	3	4	5
Potential Increase In That Year	\$159,967	\$17,606	\$78,327	\$143,202	\$328,174
Cumulative Potential Increases	\$159,967	\$177,573	\$255,900	\$399,102	\$727,276
Fore casted Fixed Rent Revenues	\$24,297,000	\$25,621,365	\$27,495,000	\$29,594,000	\$31,760,000
Potential Increase Over Budget	0.66%	0.69%	0.93%	1.35%	2.29%

OTHER REVENUES AND ROLES

In addition to the leased assets discussed above, the Real Estate Division generated non-lease revenues of \$6.7m in FY 11-12 through (1) parking meters (\$3.8m), (2) parking ticket revenue (\$2.2 m), (3) parking stall rentals (\$0.7m), and (4) special event permit fees (\$0.2m). Real Estate also provides lease administration support for several Maritime tenants and manages collections for all Port accounts receivable.

MARITIME LEASES

While this report focuses on Real Estate revenues, in order to understand the full picture of Port revenues Maritime operational revenue must be included because in combination, Maritime (\$13.9m) and Real Estate (\$59.4m) account for 97.3% of total FY 11-12 Port revenues received (\$75.3m).

Maritime Type	FY 11-12 Revenue
Cargo	4,946,096
Cruise	2,231,209
Fishing	2,020,101
Harbor Services	1,988,442
Other Marine	1,612,043
Ship Repair	1,053,202
Maritime Total	13,851,093

LONG TERM ANALYSIS

The Real Estate Division's greatest liability is the deteriorating condition of Port facilities. Without major investment in its waterside assets, many revenue generating facilities will become unfit or unsafe for leasing. This problem is not new however, and the Real Estate Division will continue to maximize revenue with whatever facilities are available.

<p>Strengths</p> <ul style="list-style-type: none"> • Diverse real estate assets • Location (waterfront, proximity to downtown, and excellent transit access) • Diverse tenant base with varying lease terms • World famous tourist attractions 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Aging facilities and deferred capital investment. • Use restrictions.
<p>Opportunities</p> <ul style="list-style-type: none"> • Private development on Port property can generate new revenue (possibly offset by rent credits). • Development near Port property (i.e., Mission Bay) can increase value of existing assets. 	<p>Threats</p> <ul style="list-style-type: none"> • Ability to lease up venues when America's Cup ends. • Retail revenues fluctuate with economy, weather, tourism, and the Giants' attendance • Reliance on voter approval for GO bond projects.

Attachment 2

Budgeting Approach: Real Estate Revenue

- Real Estate's revenue budget for FY 2012-13 was calculated in November of 2011 using data available at that time. Various updates are made if major changes in operations are made (changes in the America's Cup venues for example).
- The budget is generally built from the bottom up, inflating and adjusting current rent roll data as needed on a lease by lease basis. The methods above do not use a top down approach of available space less vacancy rate multiplied by parameter rents to estimate revenues.
- There are 3 general categories of revenue requiring different forecasting approaches:
 - Fixed Rent Tenants: The November 2011 rent roll (annualized) is inflated by an inflation rate (agreed upon by the CFO, RE, and Maritime) to estimate FY 12-13 and FY 13-14 revenue. Inflation was 1% and 2.5% respectively.
 - Percentage Rent Tenants: The November 2011 base rent (annualized), plus the prior 12 months of percentage rent (due to delays in PERC reporting, this data was from Oct 2010-Sept 2011) adjusted by the same inflation factor used above.
 - All other revenue sources: These categories are estimated by using the prior 12 months of data, adjusted by the same inflation factor used above.
- Then specific changes were applied on a lease by lease basis to account for:
 - Changes to major leases anticipated but not included the Nov 11 rent roll (for example the Giant's new lease terms, or large expected terminations).
 - AC34 and Cruise Terminal impacts (relocation, rent free construction/event periods, releasing once venues return)
 - Public Realm parking meter removal
 - New parking meters in Mission Bay and associated parking fine revenue.
 - Completion of the Exploratorium
 - Average annual write offs for bad debt.
 - Development projects are generally assumed only to generate at least as much rent as current tenancies. 8 Washington was not included in our estimates.
 - Net new business. This is a generalized estimate taking into consideration vacancy rates and market conditions. Although market conditions are currently favorable, the Port has little available to lease, and most staff resources are focused with AC34. A net loss of \$300,000 was assumed in both budget years.



MEMORANDUM

September 6, 2012

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz

FROM: Monique Moyer *M Moyer*
Executive Director

SUBJECT: Request approval for Executive Director or her designee to finalize negotiations for five year landing rights agreements for water transport services between Hyde Street Harbor, Pier 1½, and South Beach Harbor, between the Port and (1) San Francisco Water Taxi Company operating a hop-on/hop-off scheduled Service between sites; and (2) Tideline Marine Group, Inc. operating an as-needed, on-call/inducement service between the same facilities

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

Background

Water taxis are a popular form of transportation at many of the world's major cities, and San Francisco's waterfront may offer increasing advantages for such a service, particularly in light of the many exciting and long-sought improvements San Franciscans will see in the next few years given our hosting of the 34th America's Cup, the 150th anniversary of the founding of the Port, the opening of the Exploratorium in Spring of 2013, and the completion of the Brannan Street Wharf and construction of the James R. Herman Cruise Terminal. These developments will help drive a substantial increase in visitor demand for Port locations and destinations, and water taxis would seem to logically have a significant role to play in this anticipated growth of San Francisco's tourism and travel trade.

Port staff entered into negotiations for a five year Landing Rights Agreement for a "for-hire" water taxi service based at locations within Port jurisdiction in January of 2011. That license set a requirement that the operator commence service within six months, but the operator encountered difficulty funding the fabrication of their prepared vessel designs due to the general downturn in the American economy, which also affected

THIS PRINT COVERS CALENDAR ITEM NO. 11A

their ability to launch a regularly scheduled operation on time. In June 2010, an extension for start-up was granted by the Port through September 30, 2010 at the request of the operator. The license terminated due to non-performance on October 1, 2010.

In hindsight, it's now clear that the difficult economic climate in 2009/10 played a significant role making it difficult for potential operators to obtain financing for the venture. Port staff felt that it would be prudent to wait a reasonable period of time to seek another water taxi operator with the expectation of a better overall economic climate.

On April 20, 2012, Port staff provided an informational presentation to the Port Commission that explained the merits and opportunities involved with launching a water taxi service along the City's shoreline. At that time, staff informed the Port Commission that it wished to issue a Request for Qualifications for water taxi service given myriad positive changes that include:

1. **An Upturn of the Local Economy** — Where leading economic indicators combined with higher local hotel occupancies and rising consumer confidence all point to an increase in expendable income that will lead to tourism and visitor growth, plus a decrease in interest rates for funding small businesses and new projects
2. **An Increase in Visitor Demand for San Francisco Locations & Destinations** — The upcoming America's Cup races and their related events will not only draw visitors from around the world, but will positively showcase San Francisco as a world-class destination, driving a significant increase in visitor demand for Port locations and destinations in years to come. The opening of Exploratorium at Piers 15/17 in the Spring of next year will also undoubtedly draw thousands more to all waterfront locations. This increase in visitor traffic to locations proximate to the envisioned water taxi landings will focus efforts to develop water taxi locations, and help to provide a consistency of demand and use that will help sustain a water taxi operation.
3. **Expanded Port Operations and Control** — Where management control of South Beach Harbor Marina and Pier 40, previously under lease to the San Francisco Redevelopment Agency, has transferred to the Port, as well as a growing potential to coordinate operating landing sites at places such as the Exploratorium

In the April 2012 informational presentation, Port staff promised to aggressively distribute the RFQ widely to the maritime trades and the entertainment industry nationally, as well as advertise the opportunity in trade magazines, newspapers and websites. As a result, in June 2012, staff issued a Request for Qualifications to 664 identified entities throughout North America, and judged their responses based upon these criteria represented to the Commission in April: Experience; Financial Capability; Environmental Initiatives; and Immediate Access to Vessels. Four candidates were deemed to be responsive:

1. HMS Global Maritime, Inc. of New Albany, IN and Bainbridge Island, WA.
2. Red & White Fleet of San Francisco, CA.
3. San Francisco Water Taxi Company of San Francisco, CA.

4. Tideline Marine Group of Sausalito, CA.

In August 2012, Port staff organized a panel composed of two members of Port staff, as well as one manager from the San Francisco Municipal Transportation Agency and a Director of Transportation Policy from the Office of the Mayor of the City & County of San Francisco. The panel reviewed submittals, held interviews with the four responsive candidates, and gauged the results of these interviews.

Reviewing the Panel's recommendation, Port management determined it appropriate to negotiate with two of the four respondents for exclusive negotiations instead of one sole operator, based on the Port's prior experience and current operating knowledge. These two operators also fit within the parameters Port staff represented to the Port Commission in April that negotiations would preserve the same size and scope of service limits for a Water Taxi service as those specified in the Water Taxi Feasibility study commissioned by the Port in 2009, namely:

- A vessel of less than 60 feet in length used for transporting passengers on point-to-point trips, such vessel being U.S. Coast Guard certified for intra-coastal passengers for hire with a maximum capacity of 49 people and one that shall not be used as a dining vessel;
- Vessels that ensure compatibility with existing Port facilities at South Beach Harbor, Pier 1½, and Hyde Street Harbor;
- Vessels that are deemed to be designated within a U.S. Coast Guard classification that regulates safety provisions for public use of the service; and
- A service that will not compete with existing dining, excursion, sport fishing, or sightseeing operators who are currently Port tenants.

Discussion

The business terms and considerations for each of these two agreements are:

Term:	Five years from October 1, 2012 through September 31, 2017 with one five year option, which, if exercised would extend this agreement through September 31, 2021
Landing Sites:	South Beach Harbor, Pier 1½ and Hyde Street Harbor. The Pier 1½ landing facility is detailed in the Port's lease with San Francisco Waterfront Partners
Use:	Providing two complimentary, non-competing passenger water taxi services: <ul style="list-style-type: none">• One regularly scheduled "hop-on / hop-off" service between all three points with passenger embarkation and debarkation at the landing sites and for no other purpose, but including the right to sell branded merchandise and non-alcoholic beverages and snacks to passengers

- One on-call, as needed, or by inducement service between all three points and all other possible points throughout the Bay Area, with passenger embarkation and debarkation at the landing sites and for no other purpose, but including the right to sell branded merchandise and non-alcoholic beverages and snacks to passengers. This service will include the possibility of running passengers between Pier 1½ and the San Francisco Marina or similar landing during the America's Cup races in October of 2012. Landing rights for other points outside of Port jurisdiction are entirely up to the operator to pursue and acquire.

Fees:	Each operator shall pay a percentage fee in the amount of seven percent (7%) of its gross revenues, including on-board snack sales
Record Keeping:	Each agreement requires the operator to submit an auditable Percentage rent and Gross Revenue statement, as well as a Passenger Count statement monthly
Security Deposit:	To be negotiated, but restricted to a minimum of Five Thousand Dollars (\$5,000.00)
Environmental Review:	The use is a continuation of an existing use and is therefore covered under the General Rule exclusion pursuant to the California Environmental Quality Act ("CEQA")
Insurance:	Licensee shall provide insurance coverage acceptable to the Port and City Risk Manager
Standard License Provisions:	The landing rights license contains all current license provisions on the standard form approved by the City Attorney's office including, compliance with laws, Port's Right to Terminate, Indemnity and Exculpation and Hazardous Materials, etc.

Recommendation:

Port staff recommends that the Port Commission grant the Port Executive Director, or her designee, the right to approve and enter into a lawful operating relationship with San Francisco Water Taxi Company and Tideline Marine Group based on the terms and conditions described in this Staff Report.

Prepared by: G. L. Roybal, Maritime Marketing Manager

For: Peter Dailey, Deputy Director, Maritime

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 12-68

- WHEREAS, Charter Section B.3581 empowers the Port Commission with the authority and duty to use, conduct, maintain, manage, regulate and control the lands within the Port jurisdiction; and
- WHEREAS, water taxis are a popular form of transportation at many of the world's major cities; and
- WHEREAS, as a leading tourist City, San Francisco's waterfront may offer advantages for water taxi service; and
- WHEREAS, the Port issued an extensive Request for Qualifications ("RFQ") for a Water Taxi Service that reached out to over six hundred entities throughout North America in May, 2012; and
- WHEREAS, in response to Port staff's issuance of the RFQ, staff received four statements of qualifications that were responsive to the RFQ criteria; and
- WHEREAS, a four member evaluation committee reviewed and evaluated the submittals and interviewed the responsive candidates; and
- WHEREAS, Port Management determined it appropriate to negotiate Landing Rights License Agreements with two of the qualified respondents, namely:
1. San Francisco Water Taxi Company of San Francisco California, and
 2. Tideline Marine Group Inc., of Sausalito California; and
- WHEREAS, these two operators fit within the parameters Port staff presented to the Port Commission in the April, 2012 informational presentation regarding the RFQ, preserving the same size and scope of service limits for a Water Taxi service as those specified in the Water Taxi Feasibility Study commissioned by the Port in 2009; and
- WHEREAS, the business terms and considerations for each of these two Landing Rights License Agreements are described in detail in the Staff Report to which this resolution is attached, and are in a standard form approved by the City Attorney's office including, compliance with laws, Port's Right to Terminate, Indemnity and Exculpation and Hazardous Materials; and
- WHEREAS, the Landing Rights Agreements were reviewed by the Port of San Francisco Planning Department and are covered under the General Rule

exclusion pursuant to the California Environmental Quality Act (CEQA);
now therefore, be it

RESOLVED, that the Port Commission hereby approves the Landing Rights License Agreements with San Francisco Water Taxi Company and Tideland Marine Group, Inc. on the terms and conditions described in the Staff Report and authorizes the Executive Director or her designee to finalize the negotiations and execute the Landing Rights License Agreements; and, be it further

RESOLVED, that the Port Commission authorizes the Executive Director or her designee to make any additions, amendments or other modifications to the Landing Rights License Agreements that the Executive Director, in consultation with the City Attorney, determines are in the best interest of the Port, do not materially increase the obligations or liabilities of the City or Port, and are necessary or advisable to complete the transactions which the Landing Rights License Agreements contemplate and effectuate the purpose and intent of this Resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director or her designee of the Landing Rights License Agreements, and any such amendment thereto.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of September 11, 2012.

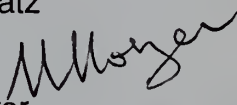
Secretary



MEMORANDUM

September 6, 2012

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz

FROM: Monique Moyer 
Executive Director

SUBJECT: Request Acceptance of Material Changes to the Port's Biennial Operating and Capital Budgets for Fiscal Years 2012/13 and 2013/14 and Approval of the Expenditure of \$1 Million to Purchase Engineering Work from the America's Cup Event Authority

DIRECTOR'S RECOMMENDATION: Approve the attached resolution

Summary

On February 23, 2012 in Resolutions 12-15 and 12-16, the Port Commission approved the Port's Proposed Biennial Operating and Capital Budgets for Fiscal Years 2012/13 and 2013/14. Thereafter, both budgets were incorporated into the Mayor's Budget and submitted to the Board of Supervisors for approval.

Both budgets have materially changed from the Port Commission approval as a result of:

- changes in obligations for hosting the 34th America's Cup,
- the dissolution of the San Francisco Redevelopment Agency and the transfer of South Beach Harbor to the Port, and
- review by Mayor Edwin Lee's Office and the Board of Supervisors.

Consistent with Resolutions 12-15 and 12-16, such material changes require final acceptance by the Port Commission. Additionally, Port staff requests approval of the expenditure of \$1 million to purchase engineering work from the America's Cup Event Authority (ACEA).

Budget Overview

The biennial budget approved by the Port Commission, as well as the budget approved by the Board of Supervisors, is shown in Table 1 below. A discussion of the increases or decreases to each portion of the budget follows.

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Table 1: Biennial Budget

Description	FY 2012/13			FY 2013/14		
	Port Commission	Board of Supervisors	Increase	Port Commission	Board of Supervisors	Increase
Estimated Fund Balance	21.5	19.5	(2.0)	21.0	20.3	(0.7)
Operating Revenues	74.5	74.6	0.1	76.7	76.1	(0.6)
South Beach Harbor Revenues	-	4.3	4.3	-	4.3	4.3
Transbay Payment	0.6	0.6	-	0.6	0.6	-
TOTAL SOURCES	96.6	99.0	2.4	98.3	101.3	3.0
Operating Expenses	65.9	68.3	2.4	67.6	69.4	1.8
South Beach Harbor Expenses	-	4.3	4.3	-	4.3	4.3
Annual Capital Projects	6.0	5.8	(0.2)	4.5	4.3	(0.2)
Capital Projects	11.9	10.2	(1.7)	10.5	10.9	0.4
Designated to Future Capital	2.9	-	(2.9)	5.5	2.1	(3.4)
Operating Reserve (15%)	9.9	10.4	0.5	10.1	10.3	0.2
TOTAL USES	96.6	99.0	2.4	98.2	101.3	3.1

Estimated Fund Balance

Although the final fund balance will not be known until the year end close process is complete in late September, estimated fund balance is anticipated to decrease from \$21.5 million to \$19.5 million. This overall reduction of \$2.0 million is due to \$2.1 million of fund balance appropriated in FY 2011/12 to advance a planned FY 2012-2013 capital budget allocation to the Cruise Terminal project (\$1.5 million), to fund dredging (\$0.5M), and for internal auditor costs (\$69,000). This reduction is offset by modest improvements to year-end budget surplus from FY 2011/12.

Operating Revenues

Operating revenues increased by \$0.1 million. This minor change, however, is the result of offsetting larger impacts as shown in Table 2 below.

Table 2: Increases (Decreases) in Operating Revenues

Description		FY 12-13	FY 13-14
1	New Pier 70 Shoreside Power Revenue	0.5	0.7
2	Reduced Payment in-lieu of rent from AC34 Delay	(1.2)	(1.0)
3	Increased Real Estate Rent from AC34 Delay	0.8	0.6
4	Public Realm Meter Revenue Loss	-	(0.2)
5	Loss of Backlands Laydown Space Rent	-	(0.6)
Net Change		0.1	(0.6)

1. Pier 70 Shoreside Power revenue is new to the budget since it was last approved by the Port Commission in February. As part of the mitigation for the Cruise Terminal Project, the Port financed a \$5.7 million project to install new shoreside power at Pier 70 (see April 24, 2012 Port Commission report to approve the City's issuance of Certificates of Participation). To repay a portion this \$5.7 million investment, drydock

users will be charged a surcharge on electrical consumption. The budget has been updated to increase revenues to reflect this surcharge payment.

2. Under an MOU approved by the Port Commission between the Controller and the Port, the Controller is required to pay the Port for the rent which would have been received by tenants displaced by the 34th America's Cup, or a "Payment in Lieu of Rent". Since the Port Commission approved the budget in February of 2012, there have been a number of changes to the Port's obligations related to hosting the event. These include a reduction in the number of venues (specifically Piers 26 and 28, which were previously included in the project, are now excluded), and the duration those venues will be required by the America's Cup Event Authority (ACEA) has been shortened. As such the Payment in Lieu of Rent from the MOU was reduced.
3. As explained in #2 above, the number of venues required to host the 34th America's Cup, as well as the duration they are needed, has been reduced. Therefore, those facilities are available for conventional Port leasing, resulting in an increase in the estimated revenues to the Real Estate Division.
4. The Public Realm project is a project to expand the existing sidewalk on Jefferson Street into the roadway by removing a total of 87 currently metered parking spaces over the two phases of the project. While the sidewalk improvement should improve the pedestrian experience and traffic flow, it is anticipated to result in lost revenue of approximately \$200,000 after phase one is complete, and a total of \$600,000 after phase two is complete (note that only phase one is anticipated to be completed within the biennial budget window). In order to make up for the lost parking meter and enforcement revenue, local retail and restaurant sales (and therefore Port percentage rent) would need to increase by 7.5%. The budget adjustment does not assume this offsetting increase because the assumption is speculative. Staff will monitor whether this project results in enhanced revenues and adjust the budget accordingly for FY 2013-2014 and beyond.
5. The Port Commission's approved budget included \$600,000 of new revenue from the Backlands Paving Project, which would create leasable lay down space in the southern waterfront. However, due to funding needs for the 34th America's Cup project, most specifically improvements at Piers 30-32, the Backlands Paving Project was defunded in FY 2011/12.

South Beach Harbor Revenues

At the time of Port Commission approval in February, Port staff did not include revenues and expenses from the South Beach Harbor operations because the transition and budget implications of this transition were still under development. The final budget includes \$4.3 million in revenues, including use of fund balance, and offsetting expenditures in the amount of \$4.3 million. This budget is still preliminary as it does not reflect berth rate increases, parking changes, and other operational enhancements that will increase revenue. According to the former Redevelopment Agency staff, the South Beach Harbor fund has sufficient fund balance (approximately \$2 million) to avoid the necessity of a Port Harbor fund subsidy to resolve the projected shortfall in the current year (between \$810,000 and \$585,000 depending on the Port Commission's decision on changes to berth rates).

Operating Expenses

Operating expenses increased \$2.4 million in FY 2012/13 and \$1.8 million in FY 2013/14 primarily as a result of operating and debt obligations related to the 34th America's Cup as shown in Table 3 below:

Table 3: Increases (Decreases) in Operating Expenses

Description		FY 2012/13	FY 2013/14
1	Purchase AECOM Plans for Piers 30-32	1.0	-
2	New COPs Repayment	1.4	1.8
3	Increased Utility Costs	0.1	0.1
4	Increased Fire Protection Costs	0.1	0.1
5	Other	0.1	0.1
6	Board Cuts to Operating Budget	(0.2)	(0.2)
	<i>Salaries and Fringe Benefits</i>	(0.2)	(0.2)
	<i>Professional Services - Maritime</i>	(0.1)	(0.1)
	<i>Google Equipment - IT</i>	(0.04)	-
	<i>Sedan - Administration</i>	-	(0.03)
Net Change		2.4	1.8

1. As previously reported on April 24, 2012 under Item 9A, Approval of the LDA, the LDA included a payment for the assignment of rights for engineering plans for Piers 30-32. As the infrastructure improvements to Piers 30-32 required to host the 34th America's Cup shifted from privately funded project (to be later reimbursed through long term legacy leases and rent credits) to a public project, the value of due diligence done by ACEA became valuable to the Port. This resolution formalizes the \$1 million payment that the Port Commission previously approved in concept and has now been included as a budget adjustment. The Port is purchasing the engineering work completed by their contractor, AECOM, for \$1.0 million.
2. Payments required by Certificates of Participation were not included in the Port Commission approved budget. This expense was added due to the need to publically finance infrastructure improvements for the 34th America's Cup. The Port Commission approved the issuance and appropriation of \$38.5 million in Certificates of Participation, which require annual debt service of \$1.4 and \$1.8 million in the first and second years of the biennial budget, respectively.
3. As discussed above, the number of venues required to host the 34th America's Cup, as well as the duration they are needed, has been reduced. Because these venues will be operated by the Port for a longer period than was assumed in the Port Commission approved budget, utility costs related to those facilities is expected to increase.
4. The San Francisco Fire Department increased their estimated cost to provide fire protection to the Port by \$82,425 and \$50,274 in FY 2012/13 and FY 2013/14, respectively.

5. Other various minor adjustments reflect small changes in work orders and fringe benefits costs.
6. The Board of Supervisors reduced \$200,000 from the operating budget in each budget year, including:
 - a. Rejecting the request for a new IS position and instead allowing an upgrade of an existing IS position,
 - b. Reducing contracting services for cargo and cruise terminal operations in the Maritime division to reflect anticipated ship traffic,
 - c. Elimination of IT hardware (budget year 1 only), and
 - d. Elimination of a new sedan for Pier 1 (budget year 2 only).

Notably, the Board of Supervisors redirected these savings of \$200,000 resulting from these expenditure reductions to the Pier 29 fire project.

South Beach Harbor Expenses

The South Beach Harbor includes expenses of \$4.3 million which reflects Port staff's best estimate in June of 2012. These expenses are based on the City's classification recommendations for City positions and do not reflect the actual cost of labor for the South Beach Harbor staff per the City's labor agreements for former Redevelopment Agency staff. This budget also does not reflect the staffing shortages at South Beach which Port staff is addressing through reassignment. This primary budget may require mid-year adjustment to reflect actual revenues and costs. Consistent with Port Commission direction, staff recommendations for changes to the revenue and expense budgets will continue to be offsetting so that the operation is self-supporting.

Annual Capital Project Expenses

The Board of Supervisors eliminated \$200,000 per year from the Port's America's Cup Project, which had been included to cover utility costs during the event. However, those costs were included in the Office of Economic and Workforce Development's America's Cup Project, and therefore not needed in the Port's budget. As noted earlier, the savings resulting from these expenditure reductions were redirected to offset deductible costs related to the Pier 29 fire.

Capital Project Expenses

Table 4: Increases (Decreases) in Capital Project Expenses

Description		FY 12-13	FY 13-14
	Commission approved budget	\$11.85	\$10.5
1	Reallocation to Cruise Terminal Project in FY 2011/12	(1.5)	-
2	Defunding for capital leasing and elevator escalator projects	(0.5)	
3	Board of Supervisor Addback – Port Emergency Fund	0.4	0.4
	<i>Net Change</i>	<i>(1.6)</i>	<i>0.4</i>
Approved Budget		\$10.24	\$10.9

1. A total of \$2.1 million was allocated to the cruise terminal in FY 11-12 from funds which were previously included in the FY 12-13 capital budget including:
 - a. \$1.5 million in funding acceleration, moving funds within the cruise terminal project from FY 12-13 to FY 11-12,
 - b. \$150,000 from the Port-wide elevator and escalator upgrade project, and
 - c. \$400,000 from the Leasing Capital Improvement Fund which is used to create leasehold improvements which have a positive return on investment.
2. All Board of Supervisors spending reduction in operating expenses and annual capital projects were redirected here, to cover the unanticipated cost of the Port's insurance policy deductible resulting from the Pier 29 bulkhead building fire.

Conclusion

As discussed above, material changes in the budget from the version previously approved by the Port Commission are primarily the result of:

- changes in obligations for hosting the 34th America's Cup, and
- the dissolution of the San Francisco Redevelopment Agency and the transfer of South Beach Harbor to the Port, and
- review by Mayor Edwin Lee's Office and the Board of Supervisors.

While these changes appear to have resulted in reductions to capital investments, the Port is adding significant investment to improvements for the 34th America's Cup and the Pier 27 Cruise Terminal Project.

Staff requests approval of the attached resolution to accept the material changes to the FY 2012/13 and 2013/14 budget and approve the \$1 million expenditure to purchase engineering work from the ACEA.

Prepared by: Elaine Forbes, Deputy Director
Finance and Administration

Nate Cruz, Analyst, Real Estate

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
RESOLUTION NO. 12- 69**

- WHEREAS, In November 2009, the voters of San Francisco approved Proposition A which amended Section 9.100 of the San Francisco Charter to require the City to adopt a new rolling two-year budget cycle; and
- WHEREAS, Under Section 9.100, each year the City will adopt a new biennial budget; and
- WHEREAS, On February 23, 2012 in Resolutions 12-15 and 12-16, the Port Commission approved the Port's Proposed Biennial Operating and Capital Budgets for Fiscal Years 2012/13 and 2013/14; and
- WHEREAS, Resolutions 12-15 and 12-16 directed Port staff to return to the Port Commission after the Biennial Operating and Capital Budgets had been approved by Mayor Edwin Lee and the Board of Supervisors to report on, and receive Port Commission acceptance of any material changes to the Biennial Operating and Capital Budgets; and
- WHEREAS, Material changes were made to the Biennial Operating and Capital Budgets by the Board of Supervisors and Mayor Lee due to changes in the 34th America's Cup and the dissolution of the San Francisco Redevelopment Agency; and
- WHEREAS, Such material changes to the Biennial Operating and Capital Budgets are described in greater detail in the staff's memorandum to the Port Commission, dated September 6, 2012, accompanying this Resolution and on file with the Secretary of the Commission; and
- WHEREAS, The Port Commission previously approved in concept the purchase of engineering plans from the ACEA and this purchase has now been included as a budget adjustment of \$1 million; and
- WHEREAS, Staff recommends that the Port Commission accept the material changes to the Biennial Operating and Capital Budgets and approve the expenditure of \$1 million for the purchase of engineering work from the ACEA; and, now therefore, be it
- RESOLVED, That the Port Commission hereby accept the material changes to the Fiscal Years 2012/13 and 2013/14 Biennial Operating and Capital Budgets and approves the expenditure of \$1 million for the purchase of engineering work from the ACEA staff.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of September 11, 2012.

Secretary



MEMORANDUM

September 6, 2012

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz

FROM: Monique Moyer
Executive Director

SUBJECT: Accept the Port's Report on Contracting Activities for
FY 2011-12 (July 1, 2011 through June 30, 2012)

DIRECTOR'S RECOMMENDATION: Accept Year End Report on Contracting Activity

I. INTRODUCTION

This report provides the Port Commission with information on the Port's contracting activities. It is consistent with the Port Commission's policies and practices and required reporting to the Board of Supervisors and to the Mayor's Office per the City's Administrative Code Sections 6.64 and 14B.15(B), respectively. In addition, information is included herein pursuant to an agreement with the International Federation of Professional and Technical Engineers (IFPTE) Local 21 and the City's Department of Public Works to keep them apprised of the Port's contracting activities.

Highlights

- A. Use of Delegated Authority by the Executive Director
- B. Participation by Local Business Enterprises (LBEs) on Contracts
- C. As-needed Contracting and Use of Contract Service Orders (CSOs)
- D. Compliance with Local Hire Requirements
- E. Changes to IFPTE Local 21 Staffing Activity
- F. Projects Completed by the Department of Public Works

The attached seven (7) exhibits provide actual performance of as-needed, construction and professional services contracts, a description of sole source contracts, and IFPTE staffing activity, and contracts awarded in FY 2011-12.

THIS PRINT COVERS CALENDAR ITEM NO. 12B

II. BACKGROUND

The Port engages in a variety of contractual transactions that include: leases, developer agreements, construction contracts, general services contracts, and professional services contracts.

Professional services contracts must be approved by the Civil Service Commission. The Port contracts out for professional services only when work cannot be performed by the Port or other City employees because of the limited nature of the work, peak workload obligations, lack of specific expertise, or as otherwise required based upon financial risk, funding or other legal requirements.

Port staff monitors compliance with the laws, rules and regulations governing its procurement activities. The Port must comply with federal, state, and local laws concerning nondiscrimination in contracting. The Port's annual overall goal for local business enterprise (LBE) subcontractor participation is 20% for qualifying contracts.¹ In addition, the Port encourages LBE firms to compete for prime contracts and use joint venture relationships to strengthen their ability to successfully compete for contracts as individual primes.

As-needed contracts comprise much of the Port's on-going professional services contracting. The Port has ten (10) such contracts established as Master Agreements following a formal competitive Request for Qualifications process.² These Master Agreements primarily have a three (3) year term and an aggregate value of \$9,700,000. The implementation of these as-needed contracts is accomplished through the issuance of Contract Service Orders (CSO). These as-needed contracts are subject to LBE subcontracting goals overall for the Master Agreement and for each CSO.

III. HIGHLIGHTS

A. Use of Delegated Authority by the Executive Director

To streamline the Port's contracting process and to be consistent with the San Francisco Administrative Code and the practice of other City departments, the Port Commission has delegated the following authority to the Executive Director (Resolution No 10-60):

- | | |
|--|-----------|
| • Public works and improvement contracts | \$400,000 |
| • Professional services contracts | \$100,000 |

¹ Construction contracts, general services contracts and professional services contracts are subject to the San Francisco Administrative Code Chapter 14B mandatory LBE subcontracting participation requirements unless there is an approved San Francisco Human Rights Commission waiver of the LBE subcontracting goals or the source of funds is Federal or State grant monies.

² These contracts are with the following firms: Creegan D'Angelo, Winsler Kelly, URS/AGS, CBRE, Bay Area Economics, Keyser Marston, EPS, Tetra Tech, Weiss and Associates, and Baseline.

Delegated authority allows the Port's Executive Director to execute and award public works and improvement and professional services contracts at or under the above listed threshold limits without Port Commission review and approval.

During the reporting period, the Executive Director authorized the approval of Design Media, Executive Coaching \$10,000; Fairbank, Maslin, Maullin, Metz & Associates (FM3) polling services for \$34,000; and Roger Peters Foreign Trade Zone consulting for \$30,000.

The Port Commission has also authorized the Executive Director (Port Commission Resolutions #09-29 and 09-37) to execute Contract Service Orders up to \$500,000 without further review or approval of the Port Commission subject to the requirements of Administrative Code Chapter 6.64 requirements. Chapter 6.64 of the San Francisco Administrative Code limits contract service orders to a maximum of \$200,000 per public works project. Contract Service Orders exceeding \$200,000 require written justification by the department head establishing the urgency to perform the work under as-needed contracts rather than through a new formal competitive procurement.

During the reporting period, the Executive Director approved one CSO for Baseline regarding America's Cup environmental planning for \$211,500.

B. Contract Terms and Participation by Local Business Enterprises (LBEs) in FY 2011-12

Contract Terms

Between July 1, 2011 and June 30, 2012, the Port issued 17 contract agreements with a combined not-to-exceed amount of \$78 million. Ten of these contracts, which totaled \$75.3 million, required LBE participation. The LBE goals averaged 15 percent, or \$11.4 million as shown below:

Table 1 - Contracts Awarded in FY 2011-12

Type of Transaction	Total No. of Contracts	Total Dollar Amt	Total LBE Goal Amt	LBE %
Construction	6	\$73,346,090	\$10,922,226	15%
Professional Services	4	<u>\$2,000,000</u>	<u>\$440,000</u>	<u>22%</u>
Total 14B Applicable Contracts	10	\$75,346,090	\$11,362,226	15%
Construction Exempt	2	\$1,710,045	NA	NA
Professional Services Exempt	5	\$970,817	NA	NA
<u>Total Exempt Contracts</u>	<u>7</u>	<u>\$2,680,862</u>	<u>NA</u>	
Grand Total	17	\$78,026,952	\$11,362,226	15%

Exhibit 6 demonstrates that 7 out of 17 contracts which totaled \$2.7 million were exempted from LBE goals. The LBE exempt contacts include federally funded contracts because federal guidelines prohibit the use of geographical preferences, contracts where HRC has granted a waiver due to the lack of qualified LBE firms, and small contracts below \$100,000, the thresholds for competitive bidding and 14B.

Actual Payments

As shown in the table below, in FY 2011-12, the Port made \$35.1 million of payments to consultants and contractors with LBE participation required in the contract agreements. Of this amount, 22 percent of \$7.85 million went to LBEs. This exceeds the Port Commission goal of 20 percent. Notably, as-needed and professional services contracts were especially strong with 24 and 44 percent LBE participation respectively. Construction came in at 15 percent which is the same as the agreement requirements for LBE participation. These requirements were set based on the availability of LBEs for the type of construction work in each project.

Table 2 - Contract Payments in FY 2011-12

Type of Transaction	Total No. of Contracts	Total Dollar Amt	LBE Amt	LBE %
As-Needed CSOs	10	\$1,770,013	\$431,575	24%
Construction	10	\$25,268,492	\$3,890,567	15%
Professional Services	2	\$8,063,237	\$3,525,696	44%
Total 14B Applicable Payments		\$35,101,742	\$7,847,838	22%

Notably, this review of actual payments from between July 1, 2011 – June 30, 2012 represents a look in time and does not represent the completion of these contract agreements. Depending on the professional services and contract scopes, LBEs can be used more or less heavily at different times in the contract.

Exhibits 2 and 3 show that 2 construction contracts were exempt from LBE requirements and 6 professional services contracts were exempt. For further details on the contracting activities for FY 2011-12, please refer to *Exhibits 1, 2 and 3*.

C. Compliance with Local Hire Requirements

The San Francisco Local Hiring Policy for Construction applies to the following contracts for construction projects advertised for bid after March 25, 2011:

- Construction contracts for public works or improvements; and
- All City and County of San Francisco contracted construction work on City owned or leased property.

The Local Hire Ordinance requires contractors and their subcontractors in the first year to attain a minimum of 20% total work hours by trade per project using San Francisco residents and no less than 10% of all projected work hours within each trade performed

by disadvantaged San Francisco residents. The program is managed by the Office of Economic and Workforce Development (OEWD) as indicated in the separate report presented to the Port Commission at its July 12, 2011 meeting.

During the last fiscal year, there were six projects subject to local hire requirements. Five of these projects have reported local hire hours. The OEWD Local Hire table below is an estimate of the overall hours for applicable projects. Port staff will work with OEWD to implement a regular reporting system to keep Port project management staff updated on contractor's compliance efforts.

OEWD Local Hire Report from 07/01/2011 to 06/30/2012

Project	Total Hours		
	Total	Local	Local %
Hyde Street Harbor JOS Building	2,651	675	25%
Pier 35 North Apron Repair	1,615	986	61%
Heron's Head Project	6,765	1,674	25%
Brannan Street Wharf	1,954	614	31%
AC34	2,793	545	20%
Total	4,265	1,661	39%

D. Changes to IFPTE Local 21 staffing activity

The Port experienced five Local 21 employee separations/vacancies and seventeen appointments. Nine out of the seventeen appointments were permanent and eight were temporary. Of the seventeen, seven were intern positions.

As requested by the International Federation of Professional and Technical Engineers (IFPTE) Local 21, staffing Activity for the entire fiscal year is attached as Exhibit 5 to this report.

E. Projects Completed by the Department of Public Works

In addition to management of high profile Port projects such as the Pier 27 Cruise Terminal, the Department of Public Works has been retained to assist the Port with the following projects through interdepartmental work orders:

- a. Bureau of Architecture – ADA Exiting Study
- b. Bureau of Construction Management – Pier 43 Bay Trail Link Project Construction Support and ADA Improvements
- c. Bureau of Engineering – Pier 28 IDEO HVAC PG&E Service Upgrade
- d. Bureau of Engineering – Pier 94 Backlands Improvements
- e. Bureau of Architecture – Pier 33 Tenant Improvements
- f. Bureau of Engineering – Blue Greenway Parks Signage and Furnishings
- g. Bureau of Engineering – Tulare Park Design
- h. Bureau of Engineering – Heron's Head Park Design
- i. Bureau of Engineering – Cargo Way Design Support and Construction Support

- j. Art Commission – Art Enrichment Project
- k. Art Commission – Pier 90 Silos Public Art
- l. Bureau of Engineering – Port Sanitary Sewer Utility Mapping Design
- m. Bureau of Engineering – Pier 50D New Emergency Power Distributors
- n. Bureau of Construction Management - America's Cup Projects
- o. Bureau of Construction Management - Portwide Security Fencing Project

The Port also has interdepartmental work orders with numerous other City departments for services.

In conclusion, the Port exceeded the Port Commission's goal of 20 percent with 22 percent LBE participation which equals \$7.85 million of contract work to local small businesses. Port staff will work towards continued achievement of the Port's local business enterprise participation goals and to meet all contract requirements. Port staff will also continue working to develop small business opportunities on future projects.

IV. RECOMMENDATION

The above report is submitted to meet the requirements stated in the report's Introduction. Port staff requests the Port Commission's acceptance of this report.

Prepared by: E. Andrés Acevedo &
Megan Stephenson
Contract Administrator

Prepared for: Elaine Forbes
Deputy Director
Finance & Administration

Ed Byrne
Chief Harbor Engineer
Engineering

cc: Human Rights Commission, Romulus Asenloo
Local 21, IFPTE, Ging Louie

Attachments:

- Exhibit 1: As-needed Contract Service Orders
- Exhibit 2: Construction Contract Payments, July 1, 2011 - June 30, 2012
- Exhibit 3: Professional Services Contracts
- Exhibit 4: Annual Sole Source Contracting Report
- Exhibit 5: Local 21 Staffing Activity
- Exhibit 6: Contracts Awarded in Fiscal Year 2011-12

Contract Orders (Exhibit 1)

BE Amt.	LBE%	Total Amt. Paid	LBE Amt.	LBE%	LBE Goal
\$31,590	42%	\$192,267	\$69,390	36%	15%
\$69,884	32%	\$286,091	\$69,884	24%	15%
\$29,460	25%	\$119,504	\$29,460	25%	15%
\$0	0%	\$3,500	\$0	0%	22%
\$130,934	31%	\$601,362	\$168,734	28%	-
\$44,311	37%	\$565,798	\$166,997	30%	20%
\$48,376	21%	\$354,716	\$54,348	15%	20%
\$0	0%	\$123,500	\$0	0%	20%
\$92,687	19%	\$1,044,014	\$221,345	21%	-
\$4,253	17%	\$51,144	\$29,340	57%	20%
\$10,239	65%	\$15,857	\$10,239	65%	20%
\$1,917	3%	\$57,635	\$1,917	3%	20%
\$16,408	17%	\$124,637	\$41,496	33%	20%
\$240,030	24%	\$1,770,013	\$431,575	24%	-

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As-Needed Annual Contract Service Orders (Exhibit 1)
(July 1, 2011 - June 30, 2012)

As Needed Contracts												
	Professional Services Consultants	Total Contract Amt.	Total Amt. Paid	LBE Amt.	LBE%	Total Amt. Paid*	LBE Amt.	LBE%	Total Amt. Paid	LBE Amt.	LBE%	LBE Goal
#	<u>Real Estate</u>	Quarter 1 and 2				Quarter 3 and 4						
1	Bay Area Economics	\$550,000	\$116,705	\$37,800	32%	\$75,562	\$31,590	42%	\$192,267	\$69,390	36%	15%
2	CBRE Consulting	\$550,000	\$65,000	\$0	0%	\$221,091	\$69,884	32%	\$286,091	\$69,884	24%	15%
3	Keyser Marston Assoc.	\$550,000	\$0	\$0	0%	\$119,504	\$29,460	25%	\$119,504	\$29,460	25%	15%
4	2nd Keyser Marston Assoc.	\$500,000	NA	NA	NA	\$3,500	\$0	0%	\$3,500	\$0	0%	22%
	Total Real Estate Services	\$2,150,000	\$181,705	\$37,800	21%	\$419,657	\$130,934	31%	\$601,362	\$168,734	28%	-

	<u>Engineering & Related</u>	Quarter 1 and 2				Quarter 3 and 4						
5	Creegan + D'Angelo/F.E. Jordan	\$1,500,000	\$445,407	\$122,686	28%	\$120,392	\$44,311	37%	\$565,798	\$166,997	30%	20%
6	Winzer & Kelly/SDE JV	\$1,500,000	\$118,896	\$5,972	5%	\$235,820	\$48,376	21%	\$354,716	\$54,348	15%	20%
7	URS/AGS JV	\$1,500,000	\$0	\$0	0%	\$123,500	\$0	0%	\$123,500	\$0	0%	20%
	Total Engineering & Related	\$4,500,000	\$564,302	\$128,658	23%	\$479,712	\$92,687	19%	\$1,044,014	\$221,345	21%	-

	<u>Environmental & Related</u>	Quarter 1 and 2				Quarter 3 and 4						
8	Baseline	\$1,000,000	\$26,584	\$25,088	94%	\$24,560	\$4,253	17%	\$51,144	\$29,340	57%	20%
9	Tetra Tech/AEW JV	\$1,000,000	\$0	\$0	0%	\$15,857	\$10,239	65%	\$15,857	\$10,239	65%	20%
10	Weiss Associates	\$1,000,000	\$0	\$0	0%	\$57,635	\$1,917	3%	\$57,635	\$1,917	3%	20%
	Total Environmental & Related	\$3,000,000	\$26,584	\$25,088	94%	\$98,053	\$16,408	17%	\$124,637	\$41,496	33%	20%
	TOTAL As-Needed Contracts	\$9,650,000	\$772,591	\$191,546	25%	\$997,422	\$240,030	24%	\$1,770,013	\$431,575	24%	-

* Actuals from Invoices

Construction Contract Payments (Exhibit 2)
(July 1, 2011 - June 30, 2012)

	Project Title	Vendor Name	Original Contract Amount	Total Contract Amount (with Mods)	Total Amount Spent	LBE Actuals	LBE Actual %	LBE Goal %	Awarded	Substantial Completion Date	On Time? [Y/N]	Comments
1	Brannan Street Wharf Park	Dutra	\$13,537,800	\$13,537,800	\$997,674	\$210,506	21%	9%	2/14/2012	6/27/2013	Y	In progress
2	Pier 43-1/2 Bay Trail Link	Vortex	\$6,383,000	\$6,448,535	\$3,877,380	\$783,230	20%	20%	4/26/2011	7/31/2012	N	Currently in dispute resolution and delayed 2 months
3	Marine Structural Projects III	West Bay	\$1,325,000	\$1,325,000	\$186,256	\$84,377	45%	25%	3/22/2011	6/4/2013	Y	In progress
4	Hyde Street Harbor, Joint Operations Building	Roebuck	\$1,754,450	\$1,906,523	\$1,906,523	\$493,436	26%	15%	7/12/2011	5/24/2012	Y	Completed
5	Maintenance Dredging 2011-2015	Dutra	\$4,000,000	\$4,000,000	\$2,822,910	\$0	0%	3%	4/26/2011	12/31/2016	Y	In progress
6	Heron's Head Park Improvement	Yerba Buena	\$1,708,000	\$1,764,517	\$1,179,783	\$123,206	10%	22%	9/13/2011	8/24/2012	Y	Approved Res. 12-57
7	P35 North Apron Repairs	MH Construction	\$786,000	\$833,865	\$809,653	\$150,000	19%	20%	8/15/2011	3/1/2012	Y	Completed
8	Mission Bay Shoreline Protection	Ferma	\$1,579,450	\$1,579,450	\$1,366,644	\$519,260	38%	20%	4/26/2011	1/20/2012	Y	Completed
9	Roundhouse 2 - HVAC Central Plant Upgrade	Evra	\$453,000	\$527,871	\$506,871	\$47,000	9%	5%	9/13/2011	5/2/2012	Y	In progress
10	Pier 27 Cruise Terminal CM/GC*	Turner	\$3,581,137	\$45,268,477	\$11,614,798	\$1,479,552	13%	17%	12/16/2011	See Below	NA	Approved 12/16/11
10.1	America's Cup CM/GC (4th Mod)	Turner	\$9,507,037	NA	\$0	\$0	0%	12%	4/24/2012	3/1/2013	NA	Approved 4/24/12
Total LBE Contracts			\$44,614,874	\$77,192,038	\$25,268,492	\$3,890,567	15%					
11	Port Security Fences Phase 3**	Federal Funding	\$1,311,011	\$1,397,005	\$1,397,005	Exempt	-	N/A**	1/20/2012	6/25/2012	Y	Completed
12	Pier 50 Emergency Power Modifications**	West Bay	\$285,040	\$313,040	\$313,040	Exempt	-	N/A**	3/27/2012	6/16/2012	Y	Completed
Total Exempt Contracts			\$1,596,051	\$1,710,045	\$1,710,045	\$0	0%					
Grand Total			\$46,210,925	\$78,902,083	\$26,978,537	\$3,890,567	14%					

*The Pier 27 contract with Turner was awarded in phases. The initial phase was for only \$3,581,137.

**Port Security Fences and Pier 50 Emergency Power Mod. are federally-funded and exempted from LBE goals.

Professional Services Contracts (Exhibit 3) (July 1, 2011 - June 30, 2012)

Professional LBE Contracts									
Project Title	Date	Vendor Name	Total Contract Amount	Total Amount Spent	LBE \$	LBE Goal %	LBE Dollars to Date	LBE % to Date	Comments
Financial Advisory Services	Ongoing	Public Financial Management	\$449,000	\$123,633	\$22,000	40%	\$22,000	18%	
Pier 27 Architectural and Design	Ongoing	KMD/Pfau Long	\$9,950,000	\$7,939,604	\$1,492,500	15%	\$3,503,695	44%	
Professional LBE Exempt Contracts									
Project Title	Date	Vendor Name	Total Contract Amount	Total Amount Spent	LBE \$	LBE Goal %	LBE Dollars to Date	LBE % to Date	Comments
Executive Coaching	1st Quarter	Design Media Inc.	\$10,000	\$10,000	\$10,000	NA	\$10,000	100%	LBE Exempt
All Hazard Response Plan	2nd Quarter	URS Corporation	\$419,927	\$419,927	\$0	NA	NA	NA	Federal Funds
General Obligation Bond Polling	3rd Quarter	FM3	\$34,000	\$34,000	NA	NA	NA	NA	LBE Exempt
Building Occupancy Resumption Program	4th Quarter	Thornton Tomasetti Inc.	\$476,890	\$355,390	NA	NA	NA	NA	Federal Funds
Foreign Trade Zone Consulting Services	4th Quarter	Roger L. Peters	\$30,000	\$9,100	NA	NA	NA	NA	LBE Exempt
Youth Employment Services	Ongoing	San Francisco Conservation Corps	\$896,989	\$824,932	\$0	0%	NA	NA	LBE Exempt
Total LBE Contracts			\$10,399,000	\$ 8,063,237	\$ 1,514,500	Varies	\$ 3,525,695	44%	
Total Exempt Contracts			\$ 1,867,806	\$ 1,653,349	\$ 10,000	Varies	\$ 10,000	NA	
Total Contracts (including exempt)			\$12,266,806	\$ 9,716,586	\$ 1,524,500	Varies	\$ 3,535,695		

Exhibit 4 – Annual Sole Source Report

MEMORANDUM

Date: June 6, 2012
To: Clerk of the Board
From: Monique Moyer
Executive Director
Port of San Francisco
Subject: Sole Source Contracts for Fiscal Year 2011-2012

SOLE SOURCE CONTRACTS

Sunshine Ordinance Section 67.24(e) requires that at the end of each fiscal year each City Department provide the Board of Supervisors with a list of all sole source contracts entered into during the past fiscal year. Please list all existing sole source contracts, adding those entered into during Fiscal Year 2011-2012. Please report if your department **did not** enter into any sole source contracts during the past fiscal year. The list shall be made available for inspection and copying. In addition, Sunshine Ordinance Section 67.29-2 encourages departments to post this information on their websites. Submit sole source contract information by:

Term	Vendor	Amount	Reason
6/1/12 - 3/30/13	BAE	\$5,700,000	Pier 70 Shoreside Power
8/1/09 - 3/30/12	Cochran, Inc.	\$5,123,806	Design, purchase, and installation of shoreside power equipment at Pier 27 and 29. <u>Justification:</u> Ordinance No.125-08 adopted by the Board of Supervisor on July 16, 2008 and modified under ordinance 147-09 on June 30, 2009. Princess Cruises has unique experience in the development of shoreside power resources and assisted the Port in securing grant funding to pay for this valuable asset. Princess Cruise Lines utilizes Cochran, Inc., a Seattle-based electrical engineering contractor to design, install shoreside power facilities.
1/1/12-12/31/12	Invensys	\$29,745	Avantis.PRO <u>Justification:</u> Annual proprietary software license renewal a

Exhibit 5 - Local 21 Staffing Activity**Staffing Activity - Annual Report (Local 21 only)****07/01/2011- 06/30/2012****HIRES/APPOINTMENTS****Class/Title****Activities**

1244 Senior Personnel Analyst	Temporary Exempt/Full-Time
1649 Accountant Intern	Permanent Exempt/Full-Time
5602 Utility Specialist	Permanent/Full-Time
5299 Planner IV - Env'tl Review	Permanent Exempt/Full-Time
5382 Student Design Trainee III	Temporary Exempt/As-Needed
1654 Principal Accountant	Transfer eff 05/14/12; Permanent/Full-Time
5201 Junior Engineer	Promotion eff 06/23/12; Permanent/Full-Time
5207 Associate Engineer	Promotion eff 05/14/12; Permanent/Full-Time
5277 Planner I	Promotion eff 04/16/12; Permanent Full-Time
5382 Student Design Trainee III	Temporary Exempt/As-Needed; start work date 06/18/12 (Planning & Development)
5382 Student Design Trainee III	Temporary Exempt/As-Needed; start work date 06/11/12 (Engineering)
5382 Student Design Trainee III	Temporary Exempt/As-Needed; start work date 06/04/12 (Planning & Development)
5382 Student Design Trainee III	Temporary Exempt/As-Needed; start work date 05/14/12 (Planning & Development)
5382 Student Design Trainee III	Temporary Exempt/As-Needed; start work date 02/21/12 (Finance & Administration)
5382 Student Design Trainee III	Temporary Exempt/As-Needed; start work date 02/06/12 (Engineering)
5504 Project Manager II	Promotion eff 01/03/12; Permanent Exempt/Full-Time
7262 Maintenance Planner	New Hire eff 05/07/12; Permanent/Full-Time

SEPARATIONS/VACANCIES**Class/Title****Activities**

1053 IS Business Analyst - Senior	Vacancy due to retirement eff 05/12/12
1446 Secretary II	Vacancy due to retirement eff 06/23/12
1824 Principal Administrative Analyst	Vacancy due to resignation eff 02/17/12
5382 Student Design Trainee III	One (1) fte; As needed position for Engineering
5382 Student Design Trainee III	One (1) fte; As needed position for Information Services

Contracts Awarded in Fiscal Year 2011-12 (Exhibit 6)
(July 1, 2011 - June 30, 2012)

Project Title	#	Vendor Name	Original Contract Amount	Total Contract Amount (with Mods)	LBE Goal %	Total LBE \$ Awarded	Awarded
Construction Services							
Wide Street Harbor, Joint Operations Building	1	Roebuck	\$1,754,450	\$1,906,523	15%	\$285,978	7/12/2011
55 North Apron Repairs	2	MH Construction	\$786,000	\$833,865	20%	\$166,773	8/15/2011
Merion's Head Park Improvement	3	Yerba Buena	\$1,708,000	\$1,764,517	22%	\$388,194	9/13/2011
Groundhouse 2 - HVAC Central Plant Upgrade	4	Evra	\$453,000	\$527,871	5%	\$26,394	9/13/2011
Port 27 Cruise Terminal CM/GC*	5	Turner	\$3,581,137	\$45,268,477	17%	\$7,695,641	12/16/2011
San Francisco Street Wharf Park	6	Dutra	\$13,537,800	\$13,537,800	9%	\$1,218,402	2/14/2012
America's Cup CM/GC (4th Mod)	5	Turner	\$9,507,037	\$9,507,037	12%	\$1,140,844.44	4/24/2012
Total LBE			\$31,327,424	\$73,346,090	15%	\$10,922,226	
Construction Services Exempt							
Port Security Fences Phase 3**	7	Federal Funding	\$1,311,011	\$1,397,005	NA	NA	1/20/2012
Port 50 Emergency Power Modifications**	8	West Bay	\$285,040	\$313,040	NA	NA	3/27/2012
Total Exempt			\$1,596,051	\$1,710,045	NA	NA	
Grand Total Construction			\$32,923,475	\$75,056,135		\$10,922,226	15%
Professional Services							
Unneeded Real Estate	9	Keyser Marston	\$500,000	\$500,000	22%	\$110,000	4th Quarter
Unneeded Real Estate	10	Bay Area Econ	\$500,000	\$500,000	22%	\$110,000	4th Quarter
Unneeded Real Estate	11	Siefel	\$500,000	\$500,000	22%	\$110,000	4th Quarter
Unneeded Real Estate	12	EPS	\$500,000	\$500,000	22%	\$110,000	4th Quarter
Total LBE			\$2,000,000	\$2,000,000	22%	\$440,000	
Professional Services Exempt							
Executive Coaching	13	Design Media Inc.	\$10,000	\$10,000	0%	NA	1st Quarter
Hazard Response Plan	14	URS Corporation	\$419,927	\$419,927	0%	NA	2nd Quarter
General Obligation Bond Polling	15	FM3	\$34,000	\$34,000	0%	NA	3rd Quarter
Building Occupancy Resumption Program	16	Thornton Tomasetti Inc.	\$476,890	\$476,890	0%	NA	4th Quarter
Foreign Trade Zone Consulting Services	17	Roger L. Peters	\$30,000	\$30,000	0%	NA	4th Quarter
Total Exempt			\$970,817	\$970,817	NA	NA	
Grand Total Professional			\$2,970,817	\$2,970,817	0%	\$440,000	15%
Grand Total Professional and Construction			\$35,894,292	\$78,026,952	Varies	\$11,362,226	15%



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**SEPTEMBER 11, 2012
MINUTES OF THE MEETING**

**MEMBERS, PORT COMMISSION
HON. DOREEN WOO HO, PRESIDENT
HON. KIMBERLY BRANDON, VICE PRESIDENT
HON. WILLIE ADAMS
HON. LESLIE KATZ**

**MONIQUE MOYER, EXECUTIVE DIRECTOR
AMY QUESADA, COMMISSION SECRETARY**

CITY & COUNTY OF SAN FRANCISCO PORT COMMISSION

MINUTES OF THE MEETING TUESDAY, SEPTEMBER 11, 2012

1. CALL TO ORDER / ROLL CALL

Port Commission President Doreen Woo Ho called the meeting to order at 2:00 p.m. The following Commissioners were present: Doreen Woo Ho, Kimberly Brandon and Willie Adams. Commissioner Leslie Katz arrived at 4:25 p.m.

2. APPROVAL OF MINUTES – September 11, 2012

ACTION: Commissioner Brandon moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor. The minutes of the September 11, 2012 meeting were adopted.

3. PUBLIC COMMENT ON EXECUTIVE SESSION

4. EXECUTIVE SESSION

A. Vote on whether to hold closed session.

ACTION: Commissioner Brandon moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor.

At 2:01 p.m., the Commission withdrew to executive session to discuss the following matters:

(1) CONFERENCE WITH LEGAL COUNSEL REGARDING EXISTING LITIGATION MATTERS (Discussion)

Discuss existing litigation matters pursuant to California Government Code Section 54956.9(a) and San Francisco Administrative Code Section 67.10(d):

- a. *Ferry Building Investors, LLC and Ferry Building Associates, LLC v. San Francisco Port Commission; Board of Supervisors of the City and County of San Francisco, et al.*; Superior Court of California, County of San Francisco (Case No. CPF 12-512355), filed July 20, 2012.
- b. *Neighbors to Preserve the Waterfront; Friends of Golden Gateway; and San Franciscans for Reasonable Growth v. City and County of San Francisco; Planning Department of the City and County of San Francisco; Port Commission of the City and County of San Francisco; Board of Supervisors of the City and County of San Francisco, et al.*; Superior Court of California, County of San Francisco (Case No. CPF 12-512356), filed July 23, 2012.

(2) CONFERENCE WITH LEGAL COUNSEL AND REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8. ***This session is closed to any non-City/Port representative:**

- a. Property: AB 8719, Lot 002, also known as Seawall Lot 337, AB 9900, Lot 62, also known as China Basin Park, and AB 9900, Lot 048 and AB 9900, Lot 048H, also known as Pier 48 (all bounded generally by China Basin, the San Francisco Bay, Mission Rock Street, and Third Street)
Person Negotiating: Port: Byron Rhett, Deputy Director, Planning & Development
*Negotiating Parties: Jack Bair, SWL 337 Associates, LLC
- b. Property: Pier 28½, submerged Bay lands and portions of the shoreline at the foot of 23rd Street; portions of Custer Avenue, Evans Avenue, Davidson Avenue and Ingalls Street; and Pacific Gas & Electric owned parcels Block 4120 Lot 2 and Block 4110 Lot 8a near 22nd and Illinois Street.
Person Negotiating: Port: Byron Rhett, Deputy Director, Planning and Development and Brad Benson, Special Projects Manager
*Negotiating Parties: Developer: Pacific Gas & Electric: Darin Polsley
- c. Property: Various locations on Port property including portions of Pier 70 and SWL 337
Person Negotiating: Port: Brad Benson, Special Projects Manager
*Negotiating Parties: San Francisco Public Utilities Commission: Barbara Palacios

5. RECONVENE IN OPEN SESSION

At 3:20 p.m., the Port Commission withdrew from executive session and reconvened in open session.

ACTION: Commissioner Brandon moved approval to adjourn closed session and reconvene in open session. Commissioner Adams seconded the motion. All of the Commissioners were in favor.

6. ANNOUNCEMENTS: The Port Commission Secretary announced the following:

- A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting:

Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any

person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.

B. Announcement of Time Allotment for Public Comments:

Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

7. EXECUTIVE

A. Executive Director's Report - Executive Director Monique Moyer reported the following:

- Commissioner Willie Adams

Monique Moyer - I'd like to start by welcoming our new Commissioner, Willie Adams. Commissioner Adams has been appointed by Mayor Lee and confirmed by the Board of Supervisors to fulfill the term vacated by Commissioner Ann Lazarus who was appointed to another Commission.

Commissioner Adams served with the San Francisco Film Commission as a commissioner since 2009. He is the elected international secretary and treasurer of the International Longshore and Warehouse Union, which is headquartered here in San Francisco. He was first elected to that position in 2003.

He grew up in Kansas City, Missouri, and he spent his formative years in Tacoma, Washington. He was very much involved in the port operations there. He worked on the docks as a longshoreman for 24 years and was then elected into higher and higher office to serve the International Longshore and Warehouse Union's issues.

In his job as secretary treasurer, Commissioner Adams has responsibility for the organization's finances. He oversees the union's political-action work. He represents the union at international functions. As such, he has represented the ILWU during visits with workers in South Africa, Australia, Spain, Cuba, Vietnam, and China.

In addition to Commissioner Adams's union duties, he serves on the board of TransAfrica, where he works closely with board chairman Danny Glover and board member Harry Belafonte.

Commissioner Adams is not new to all of us at the port. He's already volunteered much of his time to serve with us, most recently on the mayor's Blue Ribbon Committee for the cruise terminal that is underway at Pier 27. It is a great honor and a great benefit for all of us at the port to welcome Commissioner Adams to the Port.

Commissioner Adams - Thank you.

Monique Moyer - Thank you for volunteering.

- September 11, 2012 – Patriot Day
Today is September 11th, which is Patriot Day and the National Day of Service and Remembrance. It is a day to honor the individuals who lost their lives on September 11, 2001. As you may have noted, the flags at the Port of San Francisco are at half mast, in accordance with an order of Mayor Lee and a request by President Obama. I'd like to ask if we could adjourn the meeting in honor and remembrance of those who lost their lives in the terrorist events of September 11th.
- America's Cup Regatta – August 22-26, 2012
Late last month, we finally had the first regatta of the America's Cup World Series in San Francisco. It occurred August 22-26, 2012. It was an honor to have all of the teams based here at the Port of San Francisco. Oracle Racing was based at Pier 80, which has been a great attribute for the Port of San Francisco. The other teams have been based at Piers 30-32. It is quite an amazing operation. The needs of the athletes, the heart monitors that they have to wear, the doctors that travel with them, the foods and diets that they are all on was rather stunning. It's been great to finally have the beginning of what we think will be an amazing event going forward. I'd like to invite Michael Martin, the mayor's project manager for the America's Cup, to say a few words about how the regatta went and maybe pitch you on attending the regatta next month.

Michael Martin – I urge everyone to come to the regattas next month. It was a very exciting time for having worked on it for the last 20 months or so. To see it actually happen on the water was exciting. As a city employee, I was impressed and proud by the teamwork that went into it, starting with the port and all the work that went on along the waterfront, including at Piers 30-32, getting the team bases going, Muni moving people around the city, Rec Park doing the same thing and getting things up and going at Marina Green. It was really exciting. We were very pleased to use this as a real solid training run in terms of how all the city services fit together. We've gotten some good feedback on different things ranging from pedestrian congestion to traffic congestion to better announcements, so people understand what's going on the water, better use of the video screens, which is ironic after all of the controversy around other video screens. We're going to use that as a learning experience.

We've already got meetings together to use August as a prelude to October. October is going to overlap with Fleet Week. This is becoming, in a lot of ways, our test case for a really big day. We need to know, in a lot of ways, especially with the port, how the Embarcadero's going to work with all the people trying to get to the waterfront. How is it going to work with the different

timing of the events around the different Fleet Week events? We've still got a lot to learn. Step one was exciting. Frankly, we were excited about how many people came out to really learn about what America's Cup was all about.

We're coming back with an agenda item at a future meeting to approve some of the security arrangements and the lease disposition agreement that was signed with the Event Authority. We had a productive negotiation with them after you approved that document the first time. We got a much more targeted set of security. It has to be reapproved, just because of some of the other aspects. We'll be bringing that back to you with more detail and strategy for managing those risks going forward. A lot of things to happen in the next few months, but all of them, hopefully, building to next year's crescendo of an exciting set of America's Cup events.

Commissioner Woo Ho - Can you give us a final tally of how many people we think were present and watching? Is there any sense of the television broadcast, how many people that reached, as well?

Michael Martin - We didn't do any detailed counts as the city. We actually did some targeted counts in certain locations primarily in places we didn't expect people to congregate, just to see what that spillover effect would be, so places like Crissy Field or Aquatic Park. The Event Authority did some overhead photography. While it wasn't the gold standard of scientific counting, they counted 35,000 and 40,000 visitors on that last day, Sunday racing, the Super Sunday, and 150,000 over the course of the week. That includes the practice day for a total of six days. What we were looking at in our projections as sort of a midweek day next year. That's helpful to see that baseline. On Fleet Week, we'll obviously expect to see hundreds of thousands of people. That'll be an entirely different experience for all of us.

In terms of the TV, I understand that the viewership was about five to 10 percent lower than Newport but part of that had to do with when it was. With Newport, the event was held the weekend before the Fourth of July, as opposed to the last weekend of summer here in San Francisco. There's some push/pull there.

Our hope is that the spectacle of Fleet Week sort of helps make it more so. There's going to be a broadcast on the Sunday of the October event, too. Our hope is that becomes another one of our picture postcards to the rest of the country and the world to come visit here next year when the races are with the bigger boats and for the true cup. That's our goal.

Monique Moyer – I'd like to add that on the week of the second America's Cup World Series is also Fleet Week, the Taste of South Beach event and today the Major League baseball announced their postseason schedule. Of course, the first two games are October 6th and 7th. With the Giants currently in first place, it could be that they will also be home that weekend, as will be the 49ers. So we have every opportunity to show the world how

terrific we are. We look forward to seeing everyone has an excuse to be at the waterfront that weekend. We look forward to seeing all of you there.

- California Coastal Clean-Up Day - September 15, 2012
The annual California Coastal Cleanup Day will take place on Saturday, September 15, 2012 from 9:00 a.m. to 12:00 p.m. We will be cleaning up at six waterfront parks: Mission Bay Shoreline, Warm Water Cove, Tulare Park, Islais Creek Landing, Pier 94 Wetlands, and Heron's Head Park. As with past years, the Port Maintenance Division will be supplying event equipment such as shovels, gloves, buckets, etc. We'll be hauling away receivables and trash collected. Typically, the amount of trash and recyclables is quite extensive. We're looking forward to having a number of volunteers, and our friend Corinne Woods among them to lead the way. We hope it is a gorgeous, beautiful day to enjoy the waterfront. We look forward to seeing everybody there.
- Piers 30-32/SWL 330 Citizens Advisory Committee – September 18 & October 4, 2012 at 6:00 p.m. at Pier 1
At our last meeting, the Port Commission granted staff the authority to create a Citizen Advisory Committee (CAC) for the Piers 30-32 Seawall at 330 proposed project. The CAC was appointed with 16 members from the neighborhood and from the city at large, with six alternates. We have already convened two meetings. The CAC has drafted a mission statement and is reviewing that, per the commission's request. We hope to have them adopt it at their next meeting. They've met twice, the first time on August 23, 2012 and the second time on September 6, 2012. Most recently, on September 7, 2012, they did a walking tour of the South Beach area right before the Friday-night Giants game.

At the first meeting, the CAC heard an overview briefing on the Port, the Waterfront Land Use Plan, the public-trust issues, Bay Conservation and Development Commission, and other land-use regulations. At the second meeting, it was targeted towards transportation. There was a presentation by the city on the city's assessment of how to incorporate the information on existing and planned transportation, and as transportation needs continue to grow in this sector of the city, how the city plans to address that.

There are two more meetings that are calendared. The next meeting is scheduled on September 18, 2012 at 6:00 p.m. in the bayside conference rooms in Pier 1. At that meeting, the City/Port team will present information on city urban-design principles for the Piers 30-32 Seawall at 330 area and the surrounding area. Members of the Warriors' design team, Snohetta and AECOM, will talk about their ideas and efforts of an inspirational design and a fitting concept. On October 4, 2012 at 6 p.m. in the Pier 1 conference rooms, there will be an presentation by the Warriors Design Team of its site and concepts for the project. That will come forward to the Port Commission at its earliest convenience. Additionally, the City/Port team thought it might

be a good idea to have two workshops, one singularly focused on transportation impacts and another on neighborhood impacts. We've asked members of the CAC to sign up to attend whichever workshop they're interested in. We're coordinating that list and a potential schedule to hold those workshops.

- SWL 337 Development Project Public Workshop on Land Use Proposal – September 22, 2012 at 10 a.m.

We would like to hold a public workshop on the land use proposal for that property. It was originally scheduled, but it turns out that there is a problem with that date. We'll be looking for a new date later in September and reach out to the community to get their thoughts on the development ideas for Seawall Lot 337.

8. CONSENT

- A. Request approval of Lease No. L-15169 with Autodesk, Inc. a Delaware corporation, for approximately 8,391 square feet of office space and unimproved shed space located at Pier 9 at the foot of Broadway and The Embarcadero for a term of 66 months. (Resolution No. 12-64)
- B. Request authorization to accept and expend \$1.3 million in 'Prop K' grant funds from the San Francisco County Transportation Authority for the demolition and removal of Pier 1/2. (Resolution No. 12-65)

ACTION: Commissioner Brandon moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor. Resolution Nos. 12-64 and 12-65 were adopted.

9. PLANNING & DEVELOPMENT

- A. Request authorization to issue a Request for Proposals (RFP) for a Cruise Terminal Passenger Operations, Parking and Special Events Management Agreement at the Pier 27 James R. Herman Cruise Terminal, located at Lombard Street and The Embarcadero. (Resolution No. 12-66)

John Doll, Planning & Development Division - This item is regarding our request to initiate a solicitation process to select a management entity for passenger cruise terminal operation, special events, and parking at the new James R. Herman Cruise Terminal at Pier 27. Construction of the cruise terminal is underway. Phase 1 construction will be completed by March 2013 and the first special event there will be for the America's Cup. When the America's Cup event is over, we will proceed with Phase 2 construction and hope to complete that by mid-2014. At that point, Pier 27 will be the Port's primary cruise terminal.

Currently, Metro Cruise Services is the cruise-terminal operator. Its management agreement is scheduled to expire April 30, 2015, or sooner, if the Port commences cruise operations at Pier 27 in mid-2014. Under the current

management agreement, the operator manages Piers 35 as the primary terminal, as well as backup terminals or backup berths at Pier 27, and occasionally at Piers 30 and 32 as secondary berths.

Port staff believes that a solicitation process is necessary because we will be designating Pier 27 as the new primary cruise terminal for the Port but also because it has a dual purpose. The dual purpose is that we intend to use this facility as a year-round facility. When there are cruise ships, it will be a cruise terminal. When there are no cruise ships, we want to use the facility for special events. Those special events have been listed in the staff report and they range from other maritime events, tall ships, Fleet Week, as well as non-maritime events with regards to conferences, receptions, consumer shows, cultural-entertainment events, etc.

These types of uses need to be developed and eventually managed seamlessly into the cruise terminal operations. Accordingly, the other reason to engage in the solicitation process is not only to select a cruise terminal management firm, but to select an entity, possibly as a joint venture, to manage these special events.

Staff believes it is necessary to have one firm or a joint-venture firm to manage cruise events, special events, as well as parking. The staff believes that Pier 27 is a cruise terminal first and assembly space second. Ultimately, Port staff would engage a management entity for both cruise events and special events.

Port staff intends to issue the RFP to responsible parties able to coordinate parking and traffic operations when the cruise terminal is used for cruise events, other maritime events, and conference and special events. At other times, when the terminal is not booked, the entity would be requested to manage daily parking in support of other neighborhood waterfront activities.

Port staff request to issue an RFP to manage the cruise terminal, special events, and parking. This will enable the cruise terminal to be used on a year-round basis and generate ongoing revenue. If approved, we hope to issue the RFP later this month, receive responses in approximately 10 or so weeks, evaluate the responses, and hope to negotiate with the highest-ranked respondent and bring back a management agreement for your consideration sometime early spring 2013.

With regards to the evaluation criteria noted in exhibit B. We expect a respondent, first, to meet the initial qualifications by detailing their past experience. They must, and I wrote 20 years of cruise-terminal operations at a major port in North America, we'd like to amend that to 10 years, per the request of our maritime director. The respondent must have at least eight years in special events management and at least five years in operating parking in a comparable-sized facility.

Respondents meeting these requirements would then be ranked on their responses, outlined in exhibit B, including (1) management structure and capacity to perform, (2) financial capacity, (3) detailed terminal-management experience, and (4) relevant special event and parking experience. Ranking based on this criteria, the Port would invite the highest-ranked firm to negotiate a management agreement. If negotiations fail, then the Port could invite the second-ranked firm to negotiate such an agreement.

We expect the initial term of any management contract to be 10 years, although this could be extended, depending on negotiations and exercised at the Port's discretion. This management contract will spell out maintenance responsibilities and include a payment structure to the Port. Typically, this would be an annual fixed fee, plus a percentage of gross receipts owing to special events and parking.

In conclusion, Port staff recommends that the Port Commission authorize and direct staff to issue an RFP to operate the cruise terminal, special events, and parking at the James R. Herman Cruise Terminal.

The Port maritime staff has had and will have meetings with organized labor, in particular ILWU Locals 10, 75, 34, and 91, to gain their input on operational considerations.

Commissioner Adams - I have a letter here dated September 10, 2012, from Patric Kim, the secretary treasurer of Local 75, concerning his concerns over a meeting that was supposed to have taken place with himself and Peter Dailey that didn't happen. I don't know if Doreen and Kim got a copy, but I have a copy of this letter. I clearly would like to hear from Patric Kim on whether these concerns have been met.

Patric Kim - I'm the secretary treasurer of the Gateman and Watchmen's Union Local 75. We have nearly 200 members. We do the security at the cruise terminal. First, I would like to thank the maritime staff for meeting with ILWU locals over the summer to review the design and operations plans for the new James R. Herman Terminal. Our members had concerns with the way the old terminal was run, Pier 27 and we repeatedly told that to the staff. One of the concerns was in the valley area of Pier 27, they use a non-union security outfit. They would direct passengers, vehicles, and longshoremen. That was a big concern for us. The staff gave us verbal assurances that this wouldn't happen when the new James R. Herman Terminal opened. Nothing against Peter but we want something in writing. I'm glad to report that today Peter Dailey forwarded us a letter, giving us the Port's assurances that our recommendations will be put in the RFP. I'd like to forward this letter and put it on the record.

Commissioner Adams - We have a copy of it.

Patric Kim - The ILWU locals are looking forward to future meetings with the maritime staff about the James R. Herman Terminal. I'd like to thank Peter

Dailey and John Davey for taking the time to meet with us and assuring us. I'm looking forward to reading the RFP when it does come out.

Commissioner Adams – My comment is for Peter and for Patric. In the future, I would like these issues to be dealt with before we get here. I'd like for you guys to work closer together. I would like for this thing to be more of a seamless operation where it goes through. I'm not picking one side over the other, but I'm saying you both have to make an assertive effort to get together so this thing is already dealt with before it gets here.

Commissioner Brandon – Why are we putting this RFP out so early, if it's not going to take effect until 2014?

John Doll - It takes time. Also, the passenger terminal portion of it takes time. If we do pick a new operator, there has to be a certain amount of time for it to transfer over. Also, with the special events operator, if it's a joint-venture partner, there will also be some time to hash out exactly what the program is going to be.

After we identify who the team is going to be, we will work with them for months before mid-2014. I'd laid out a schedule but unfortunately, I don't have it with me. It's going to take some time to go through this selection process. We would get back to you sometime during spring of 2013. We still have a lot of work to do, even when we have a management team in place. The goal is that when phase 2 construction is completed and the Pier 27 is ready for cruise operations, we have a seamless transition, if it's going to be that way, from the old terminal operator to the new terminal operator.

Commissioner Woo Ho - I have a question on the cruise ship itself. Since you'd have to deal with the federal government in terms of immigration and customs, will the management company that is chosen work with them on how that all is going to operate or is that something that we separately talk to the immigration and customs service? How is that going to be set up in the terminal?

Peter Dailey, Maritime Director – That's a good question. Homeland Security and Custom and Border Protection, in the last decade, have taken on greater significance at our ocean terminals. We have been in close contact with U.S. Customs through the design of the facility. They have certain federal requirements in terms of physical offices, lockers, a number of different things in terms of the hardware of the terminal. Those meetings are continuing as we go forward with U.S. Customs in Washington, DC, and here in San Francisco.

In terms of the operation of the terminal itself, it's a partnership between the terminal management company, the Port, and U.S. Customs and Border Protection. The three of us will work closely to facilitate clean transactions through the terminal to make sure that it's an efficient and modern terminal.

Currently, Pier 35 has limitations physically. The new terminal is going to afford us a lot more space and passenger comfort and will hopefully speed up the

passenger customs procedures and provide a more seamless process but it's an ongoing process with U.S. Customs. They do have the final say on certain of the physical requirements of the facility. Sometimes it's hard to pin them down but we are working very hard to make sure it's the best terminal possible.

Commissioner Woo Ho - Is there a financial arrangement we have with the federal government for customs and immigration.

Peter Dailey - Yes, we have to pay. They provide a great service. We have a good working relationship with the port director of customs here in San Francisco. We provide the facilities. They provide the manpower. We work in concert with the terminal operator and our cruise terminal operators.

ACTION: Commissioner Brandon moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor. Resolution No. 12-66 was adopted.

B. Informational presentation on the Request for Proposals for a Master Tenant Opportunity at Pier 38 located at Delancey Street and The Embarcadero.

John Doll, Planning and Development - This item has to do with the potential reuse of Pier 38. We're looking into issuing an RFP to identify a development partner to upgrade and re-tenant the bulkhead building as a top priority for the Port. This is only an information item. At this point, we are not asking for an approval of RFP for Pier 38 but we would like to receive your input so that it can be incorporated within the RFP. We would come back to you at a later point to seek your approval to issue the RFP.

We believe that the immediate goal is to make improvements that will allow the re-tenanting of the bulkhead building in order to bring the bulkhead building back into economic use and provide an ongoing revenue stream to the Port. We would like to get your input into not only how to structure the RFP so that Pier 38 is redeveloped in the short term with regards to the bulkhead building, and also in the longer term with regards to what happens to the remaining portion of Pier 38.

Re-tenanting the bulkhead building would not necessarily trigger an expensive seismic pier upgrade and the entitlement process would not be as extensive as looking at the complete redevelopment of the pier. Once the bulkhead repair is completed, re-tenanting could proceed. This could be accomplished relatively quickly.

The outstanding issue is what happens to the rest of the pier. What is the plan? Is the remainder of the pier feasible from a use perspective, from an entitlement perspective, and a financial perspective? How would it be implemented? If the bulkhead is repaired first, how would the rest of the pier be integrated with the bulkhead? What happens if there's no plan for the remaining portion of the pier?

Is it in the port's interest to have the bulkhead completed but leave the remaining pier empty or not upgraded?

Bear in mind that the long-term reuse of the entirety of the pier would include an expensive pier seismic upgrade and superstructure rehabilitation. It would entail a lengthy environmental review process, a lengthy entitlement process, including environmental review, public-trust consistency, and BCDC permitting.

With that in mind, I will focus on the three reuse strategies that were identified last October and noted in that staff report. The fourth option, which I'm not going to mention, was a no-project option.

Option one, public works project. This option would require the port to invest in developing an implementation strategy, act as the principal funding source, act as the developer to make the repair upgrades to the bulkhead, and then lease out the areas to tenants. The port would have to allocate the funds, take on the construction and tenancing risk, and maintain the pier on an ongoing basis. We do not recommend this as a viable approach.

Option two, master-developer project through a competitive selection process. This option would allow a developer to create an overall plan, including a phasing plan for the entire pier. Allowing a developer to develop the entire pier, allows them to have a long-term vision for the pier, test whether it's financially feasible, entitlement-wise, etc. The port could insist that the initial phase be re-tenancing the bulkhead building.

This approach has the advantage of examining the pier holistically and determining what kind of project would be feasible. The other advantage is that the developer would shoulder the risk of its feasibility, entitlement risk, construction risk, and tenancing risk. This approach would be similar to other projects that have been done along the waterfront, including Piers 1 and Piers 1½, 3 and 5. The downside is by looking at an overall project, a developer would have to fund pier upgrades, which would be expensive, and securing all the entitlements would be a lengthy process. If re-tenancing the bulkhead building is a primary goal, then this could happen, but only after a lengthy entitlement process.

The third option, the master-tenant project. Again, through a competitive selection process, this option would allow a developer to make improvements necessary to achieve the goal of re-tenancing the bulkhead building. It would rely upon private capital and expertise, using their risk to expedite the rehabilitation of the bulkhead building.

Staff believes that this option would give the immediate goal of re-tenancing the bulkhead building, but would not specifically address the long-term reuse issue of the remaining portion of the pier. Through a solicitation process that is generally described in the staff report, a respondent would have to propose an implementation strategy for the bulkhead building, but it would qualify a

respondent for later consideration of the long-term reuse for the remaining portion of the pier. The principal downside of this approach is that there is no immediate long-term plan for the rest of the pier.

We have included selection criteria on page five of the staff report for the draft RFP. Generally speaking, the respondents will be evaluated based on (1) experience and qualifications for the bulkhead building portion, as well as the long-term redevelopment of the pier, (2) proposed design and re-tenanting program for the bulkhead building, and (3) proposed financial terms for the bulkhead building.

In sum, there is a tradeoff in the master-developer versus master-tenant options. With the master-tenant option, there is ability to re-tenant more quickly, but the long-term reuse is more uncertain. For the master-developer option, it would take time to re-tenant, but there would be a long-term reuse plan.

Given this tradeoff, we ask for your input and insight on how to structure the solicitation that would deliver a project that would re-tenant the bulkhead building as an initial phase, but also to consider what happens for the rest of the pier. We would love to incorporate your input for the RFP. Staff would return to the Port Commission with a resolution authorizing such an RFP.

Curtis Lind - I represent some of the former tenants. At the time we were asked to leave, it was said, both by the mayor and by the port director, that we would be able to go back when it was approved. I haven't seen or heard of any comments along those lines. We're concerned.

Commissioner Brandon - Does the short- and long-term developer have to be one and the same? Or can we have two, a short-term developer and a long-term developer?

John Doll - I personally would recommend that you have a single developer, using either approach. Otherwise you have two developers climbing over each other. There could be a lot of property-management issues that could be very difficult to unwrangle.

Personally, I would say select a developer, whether that's a master-tenant approach or a developer approach. Again, it's kind of the tradeoff of which portion you're doing first. Are you willing to wait a little bit of time and develop a plan for the entire pier, with initial phase for the bulkhead building? Or is it flipped, where you want to get the bulkhead building done and then kind of relook as to what you're going to be doing later on? I personally would not recommend having two different developers.

Commissioner Brandon - I'm just wondering because I know that we want the bulkhead done as soon as possible so that people can move back in or there's an opportunity for people to be there. It seems to me that if we limit our solicitation for the bulkhead if we say you also have to come up with a long-term

plan, we may get more offers if they're just looking at the short-term vision at this point.

Commissioner Woo Ho - When we did have tenants, they were only in the bulkhead and the rest of the shed was parking, right? Where were the tenants located previously?

Jonathan Stern, Planning and Development - I had the privilege of working with Pier 38 in the Carl Ernst era and running through that process, including the eviction action that we took. Thank you for your patience for your former tenants. This has been a complicated process. Carl Ernst had the lease on the entire pier. Other than the bulkhead, it was supposed to be all maritime operations. Beyond the bulkhead, it was primarily maritime operations, dry-boat storage. He did do some parking in there that did not conform with his lease so that's one of the eviction issues. But there was a maritime operation, including some boat mooring and boat storage that occurred back there.

Commissioner Woo Ho - In terms of the total space of the pier, the bulkhead represents what percentage of the space of the entire pier?

Jonathan Stern - The bulkhead footprint is about 20,000 square feet, approximately two levels. It's just under 40,000 square feet of bulkhead space. The pier behind it is about another 80,000 square feet. Our engineering staff report in January of 2012 largely dealt with re-occupancy of the bulkhead. There were some ancillary uses, parking and some portion of that, shed space.

Commissioner Woo Ho - If we did have solicitation for the bulkhead, would the shed be available for parking or not?

Jonathan Stern - The engineering staff report raised the issue. The issue is that some of it would be available. Their analysis showed that if you use the entire shed, even for storage or parking, that you would trigger the seismic triggers in the cost of the upgrade and further entitlements.

Commissioner Woo Ho - What was the cost of the seismic upgrade?

Jonathan Stern - The cost of just the re-occupancy ranged from about \$2 million to \$6 million. The cost of the seismic upgrade puts you redoing the entire pier, and that's in the order of tens of millions of dollars, probably \$20 to \$30 million additional just to do that seismic upgrade.

Commissioner Woo Ho - So the \$2 to \$6 million cost is just for the bulkhead renovation?

Jonathan Stern - It's just for the bulkhead, and fire safety issues for parts of the shed that would be reoccupied.

Commissioner Woo Ho - Cosmetically, how will this pier look if we just do the bulkhead?

Jonathan Stern - From Embarcadero, the bulkhead is the primary visual. From the waterside, behind the bulkhead building itself would be the aprons, which are in disrepair. It would depend on whether those aprons have to be repaired, at least to some degree, to use this fire exiting, whether they would change or not under this scenario. It's possible that we would have to leave the shed behind the bulkhead alone, at this point. If we start touching it, the project starts to grow. This is a very specific, concerted effort to get re-occupancy of the bulkhead, part of our commitment to tenants and to bring it back into economic activity without triggering the full project.

Commissioner Woo Ho - At the time, we didn't know anything about Piers 30-32 and the waterfront arena. In five or seven years, the arena will be sitting next to it. I'm trying to figure out how everything looks, from a view point of view. If the shed portion is left alone, looking very dilapidated, the bulkhead may look okay. We have to take into consideration how it looks across the waterfront at that point and whether that's something to consider. You may have to ask the question in your RFP. Would we know whether somebody who's working on the bulkhead, and we get that up and going, can someone do long-term development on the shed without having to disrupt the tenants again?

Jonathan Stern - Those are good technical questions. In other cases, we've managed to do extensive repairs to portions of the sheds especially because the bulkhead is more enclosed. I wouldn't say it's definitely possible but it seems like there's ways to work out those technical details to continue to occupy the bulkhead and continue to do the seismic upgrade and the work on the shed that needs to happen.

As to the question about phasing, especially the five- to seven-year outlook, I'd like to hearken back to Commissioner Brandon's question, because I think that she identified a very important part of that issue, that if you are working with a single developer, as John suggested and recommended, that you could get your quick re-occupancy, have economic use, have money coming in to pay for those first-tier improvements, and start the long look that we know needs to happen for the entitlement process. I don't think we necessarily lose any time or much time by doing this in a two-step process.

At this point, based on some of the work that has happened on sea-level rise and some of the engineering studies that we've seen, both in terms of cost and the utility of this pier in the long term, I think there's no question that some feasibility work has to happen about what its true long-term disposition is. It's possible that this is one of the piers that ends up not being fully utilized, that it has to be cosmetically, it has to be an asset to the waterfront. In the long term, part of it might need to be removed. That's not an issue that we've yet grappled with. It's important for the commission to know that we're less certain in this case what the final disposition of the asset will be.

Commissioner Woo Ho - I think we're trying to balance short term and long term and how it's going to fit in with the neighborhood, etc. Instead of saying only short term or only short term and long term, why don't we leave it more open for people to come back with their innovative ideas of how to deal with this, knowing that we don't know how, economically, it would work for whoever comes in to do this project. We may have to work some numbers but if we can leave more options on the table and then review it carefully with whoever comes back. Is that something that you'd be comfortable with, Commissioner Brandon?

We could have people who say, "I only want to do the short term, and that's what I would do." Other people may say, "You know, I'll consider short and long term." It sounds like if we can get the bulkhead up and running, I'm concerned that with the long-term development, we'll have a bulkhead occupied. We don't want to disrupt tenants again. Can we figure out that we can have both solutions working at once for us? Then figure out, cosmetically, how do we make sure that the pier looks appropriate for what we expect that neighborhood to look like?

Jonathan Stern – To summarize, we're still issuing an RFP that's more open to both the long and the short term, but we're going to keep as to the highest priorities of the port quick return of economic activity to the facility and this sort of long-term or medium-term, if you will. I don't want to use cosmetic. It seems too limiting but cosmetic and fitting character for this portion of the waterfront and what's it becoming.

Commissioner Woo Ho - Because the pier is in a terrific position, I hate to see that we'd just let it go.

Commissioner Adams - I like that they come back. I agree with Commissioner Brandon. We have to look at our options, whether short term or long term. I'd like for you to get back to us.

C. Informational update on status of Port infrastructure work, tenant relocation and other Port obligations under the Lease Disposition Agreement in preparation for the 34th America's Cup Events in 2012 and 2013.

Daley Dunham, Port Special Projects Group - I'm joined here by my colleagues who contributed to the fourth periodic update to the Commission on the port's preparations for America's Cup events in 2012 and 2013. I'm not here to present, other than to be available with my colleagues for any questions you have on the staff report.

Commissioner Brandon - I would like to commend Director Moyer and the staff for making this almost a flawless process. If we look back at what we were facing when this all started and how the week in August happened, it was just wonderful. It was wonderful to watch everyone coming collectively together for such a successful event. Thank you very much.

Commissioner Woo Ho - I'd like to echo Commissioner Brandon's comments. The fact that there were a lot of people concerned about whether the port could execute on time and on budget, it seems we are proving that it can happen, and that everything has gone smoothly so far. We're very pleased. Thank you.

10. REAL ESTATE

A. Informational update on the Port's Real Estate Revenues.

Nate Cruz, Real Estate – I'm here today with an informational update on real-estate revenues. Rather than spend a whole lot of time diving into the details that are in the report that you've already been provided with, I wanted to spend a few moments on a couple of issues that I think are worth your attention here.

The first is a snapshot of where revenues come in to the port. The amounts that are on this slide that you can see are the cash that was received by the port in the fiscal year 2011-2012. That's not necessarily what we would report in our financial statement. It's all subject to year-end close numbers or that process. The proportion of revenues is still a useful indicator to see where the money comes in.

What I want to spend some time talking about is the Real Estate Division's lease activity. Basically, we have fixed-rent leases, which include land and by that I mean empty land -- office, shed, other types of industrial leases. Then we also have this other category of percentage-rent leases, where people pay us a rent based on sales or some other equation, based on some economic activity.

Commissioner Woo Ho - Is the base rent included in the percentage-rent leases?

Nate Cruz – Yes it is.

Commissioner Woo Ho - So it's not just the overage?

Nate Cruz- Correct. For a percentage-rent tenant that has both base and overage, it's all encapsulated in that percentage-rent category. The other thing that's in percentage rent is ground leases for development projects, as well as ferry excursions, which intuitively you might think is a maritime category, but for the tourist ferries, it's categorized as a percentage-rent deal.

Within those lease categories, I wanted to spend a little bit of time just talking about how the different types of uses drive revenue to the port. If you look at the left-hand pie chart, that is the area that's under lease by each type of use. The purple and the blue are the percentage-rent tenants for retail specifically and office tenants. That's the area they occupy. If you look at the opposite side of the slide, on the right-hand side, you'll see that those two types of uses generate quite a bit of revenue to the port, in proportion to the actual footprint that they take up. I wanted to call that out as the portfolio view of what we're managing. It

really depends on the uses quite a bit on how much economic activity trickles into the port.

Finally, this is the first of what we're trying to make a standard quarterly report. It will be sort of a boiled-down version of what you're seeing here today. It'll have good statistics, measureable things that we can compare quarter on quarter. We hope that'll be useful to you.

Commissioner Woo Ho - In your report, it does say in your forecasting methodology that you're assuming existing leases would be replaced by leases with similar terms at expiration. Are you forecasting at the current new-parameter rents, not some CPI increase?

Nate Cruz - We assume that they'll be replaced by similar leases, adjusted by a CPI.

Commissioner Woo Ho - So it's not renewed up to where the current parameter rents are, necessarily, using current parameter rents today.

Nate Cruz - Correct.

Commissioner Woo Ho - So you're using CPI.

Nate Cruz – Yes.

Commissioner Woo Ho - I guess that answers my question. It's a more conservative methodology. You can use any methodology, but it just means it's more conservative.

Nate Cruz - Yes.

Commissioner Woo Ho - That means there's more opportunity.

Nate Cruz - What's also worthwhile to call attention to in the report is that we did an analysis of what if we looked at all the leases of a certain size, we pulled together a sample, and compared those to how they look to the current or the recently-approved parameter rent rates. For the most part, they're very close. If we brought everything up to parameter rent for the next five years as it's expiring, we showed that the overall increase would have been about a 2.3 percent increase in rent, which is reasonable, but that doesn't indicate that there's a huge opportunity or that our existing lease terms are well under market.

Commissioner Woo Ho – This is probably a question for Elaine. We're talking about some of these ground leases do not change the value on the port's balance sheet. I would think that when we negotiate a new ground lease, we don't put in the fair market value of what we think that ground lease is on the balance sheet and change it from historic value and that I find an interesting accounting issue that somehow, I'm surprised. Because we now have people

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paying us based on a fair market value, present value, whatever way you calculate it and we're not changing the value on the balance sheet.

Elaine Forbes, CFO for the Port- Government accounting standards require that we hold the valuation at transfer, with appreciation. When we enter into a new ground lease, we wouldn't change the underlying valuation for the financials, for the financial statement but we would, of course, show a change in the income statement. While it wouldn't affect the valuation of the property, it would show up in the income statement.

Commissioner Woo Ho - Given that this land is held in perpetuity for public trust, we'll never have a chance to show what the true value of the port's land since we're always going to be leasing, whether it's a short-term lease or a long-term lease, and that we don't change our balance sheet. It just seems like that's just backwards.

Elaine Forbes - It is. It's certainly a restriction of the government accounting standards. That is the methodology.

Commissioner Woo Ho – Right, but when we go out to do bond financing, we're undervaluing our net assets.

Elaine Forbes - But we would state and make a large emphasis on our income and the strength of our income over time.

Commissioner Woo Ho - So we wouldn't even, for instance, as a footnote to our financial statements, even if we couldn't officially change the accounting on the balance sheet, say, "The fair market value of... " Given that we actually entered a ground lease, we would not note what we think that value is as a footnote to the financial statements, as another way of illustrating what the strength of the port's balance sheet really is.

Elaine Forbes - That's an interesting idea. Let me think about that and talk with our fiscal officer. We'll get back to you. That's a possibility that we could put that in the management statement or put it as a footnote on the balance sheet.

Commissioner Woo Ho - I would say a footnote would be probably the most appropriate way. That would give people more of an idea. Otherwise, the value never changes because all we do is ground leases. We don't transfer assets very often. It's very seldom.

Elaine Forbes - It is very seldom that we transfer assets and are able to bring up the valuation to fair market value.

Commissioner Woo Ho - In our ground leases, have we actually gotten a breakdown so that we have an understanding, like Pier 39, which I understand is a ground lease. What percentage is retail/industrial/office? I understood the numbers that you showed us was what is not a ground lease but directly leased,

and that breakdown by industrial, retail, etc. We don't see the breakdown of what the ground leases are being used for, which would be interesting, because we show now about a 47% percent use of industrial. If we were to break down the ground leases, would that percentage be different, in terms of what the public sees, in terms of the 7.5 miles, whether it's under a master tenant agreement or whether it's under direct lease?

Nate Cruz - We have not actually done a breakdown of how the ground lease breaks into its own sort of subcategories. We have done a little bit in terms of trying to assess the number of restaurants or retail operations but we don't always have those data. We could certainly try to assemble that.

Commissioner Woo Ho - I'm looking at it not necessarily just from a standpoint of financial, but just understanding the characteristics of how the portfolio is changing with what we're doing with the use of the land over time. It's more from that standpoint. Because I think the industrial portion is probably going down over time and some of these other uses are coming up. Even if we don't get to talk directly to the tenant, because it's through a master tenant arrangement, it would be useful to understand that, to see how the portfolio breaks down.

Nate Cruz - I'll work on trying to put that together.

Commissioner Woo Ho - How much of the parking, not the parking meters, but the actual space, square footage that are used in parking lots? You gave us 13 million square feet for the direct space leased.. On the ground leases, we have about 5.8 million that is leased. How much space does the parking lots that we have take up?

Nate Cruz - Unfortunately, I don't have the breakout of the square footages by restaurant or retail with me, but I can certainly provide that to you as soon as I get back to the office.

Commissioner Woo Ho - On the parking?

Nate Cruz – Yes, you're just looking for the parking.

Commissioner Woo Ho - I'm just trying to get a standpoint of all the land that is supposedly the port, regardless of how we lease it out, ground lease or direct or how we're using it, how much is parking, how much is used for the various uses, so we get a feel for how the mix of the real estate is being deployed, from the public viewpoint, regardless of how it's actually being managed. Just to get a sense of that and what the characteristics of that over time are going to look like, different from today.

Nate Cruz - We can certainly provide that to you.

Commissioner Woo Ho – With regards to the tenure, was that just on the direct leasing and not on the ground lease? So whatever the remaining tenure on the

ground lease is not reflected in the tenure here, or is it included? My interpretation was that was just for the direct leases, not for the ground leases. Were the ground leases included?

Nate Cruz - The ground leases are included in there. That's probably why you see such a large percentage.

Commissioner Woo Ho - So the 44 percent includes the ground leases?

Nate Cruz - Yes, those are the 66-year leases.

Commissioner Woo Ho - On the ground leases, we have 5.8 million square feet of ground lease, generating \$12.8 million of annual revenue. As you pointed out, which is absolutely correct, is that the retail of 1.7 million generates \$22 million. The ground lease is not generating as much revenue. Analytically, how much of it is still burning off rent credits. There is rent but it isn't being reflected in the cash flow, because it's being burned off as a rent credit.

Nate Cruz - To your earlier point, it would be reflected on the balance sheet.

Commissioner Woo Ho - It would be on the balance sheet but I'm wondering if we have a calculation to figure it out, otherwise it looks a little bit disproportionate. I don't think that's the case, because it's probably the rent credits being burned off. Am I correct?

Nate Cruz - Yes.

Commissioner Woo Ho - It would be just for us to understand, because if you look at the ratios of what we're generating from the various leases, it would seem like the ground leases are not generating a lot of revenue.

Nate Cruz - We can look at that same breakout with more parking information, as you requested, and also show how it would look if we added back in the credits that have been applied.

Commissioner Woo Ho - I understand that it's not actual cost but at least we understand what the value is.

Nate Cruz - More value than just cash.

Commissioner Woo Ho - Right.

Nate Cruz - Certainly.

11. MARITIME

- A. Request approval for Executive Director or her designee to finalize negotiations for five year landing rights agreements for water transport services between Hyde Street Harbor, Pier 1½, and South Beach Harbor between the Port and: 1) San Francisco Water Taxi Company operating a scheduled service between sites; and 2) Tideline Marine Group operating an as-needed, on-call/inducement service between the same facilities. (Resolution No. 12-68)

Gerry Roybal, Maritime Marketing Manager - Water taxis are a popular form of transportation at many of the world's major cities. San Francisco's waterfront is currently offering increasing advantages for such a service, particularly in light of the many exciting and long-sought improvements San Franciscans will see in the next few years, and given such things as our hosting of the 34th America's Cup, the 150th anniversary of the founding of the port, the opening of the Exploratorium in spring 2013, the completion of the Brannan Street Wharf, and the construction of the James R. Herman Cruise Terminal. These developments are destined to drive a substantial increase in visitor demand for port locations and destinations. Water taxis would seem to logically have a significant role to play in this anticipated growth in San Francisco's tourism and travel trade.

Three years ago, the port commissioned a water-taxi feasibility study. That study recommended that the port seek an operator that would (1) keep initial capital investment low, both on the part of the operator as well as the port, and (2) develop a phased approach for starting the service that would eventually help the port to identify additional landings for future expansion and growth.

Two years ago, port staff entered into a landing-rights agreement with a sole proprietor who was unable to meet the minimum requirement of commencing a service in six months. In hindsight, the difficult economic times in 2009 and 2010 played a significant role in precluding that operator from succeeding.

Believing that circumstances have changed, in April, staff provided an informational presentation to the commission, explaining the merits and opportunities involved with now launching a water-taxi service along the city shoreline, and informed the commission that it wished to issue a new request for qualifications, particularly in light of the anticipated increase in visitor demand in light of the America's Cup races and the opening of the Exploratorium, and expanded port operations and control, including the added responsibilities for managing South Beach Harbor and Pier 40.

In July, port staff issued a request for qualifications and solicited over 600 identified parties and vessel operators throughout North America. We received responses from nine very interested parties.

In August, port staff organized a screening committee, composed of two members of port staff, one operations, one sales and marketing, as well as one manager from the San Francisco Municipal Transportation Agency, and a director of transportation policy from the office of the mayor of the city and county of San Francisco. This committee reviewed all submittals, held interviews

with the four candidates deemed to be responsive, and gauged the results of these interviews.

In line with the recommendations of the 2009 feasibility study, the committee endorsed a small business that currently operates one vessel that meets the requirements of RFQ, which is less than 60 feet and no more than 49 passengers. We endorsed an operator that can commence service by October. That operator is Dave Thomas, who is here today. His company is San Francisco Water Taxi. Dave has successfully been running round-trip excursions out of the Pier 39 area for the past 20 years. He runs with his vessel, the Emerald Lady, at Pier 1½, in back of La Mar Restaurant. The Emerald Lady is 29 feet in length and can carry up to 16 passengers. This year Dave is on track to carry 25,000 passengers by year's end.

As much an entertainment attraction as it is a transportation medium, complete with humorous guided-tour banter delivered by amiable captains, San Francisco Water Taxi can provide a refreshing alternative to congested roadways and service transportation by offering a regularly run route between port locations that will feature hop-on, hop-off style ticketing, and can attract both visitors from far away, as well as local residents from around the bay area.

However, one and only one of the four candidates interviewed expressed a desire to run strictly an on-call, as-needed, or on-inducement taxi service that would incorporate points within port jurisdiction into runs that would begin or end with other locations around San Francisco Bay. That operator is Captain Taylor Lewis, who is also here today. His company is Tideline Marine Group. One example of this type of service would be an on-call, as-needed run from South Beach Marina to City Yachts, which is a landing adjacent to Marina Green. I understand that Captain Lewis is near finalizing a landing-rights agreement with City Yachts that he could have in place to provide service in time for next month's America's Cup races and events. Tideline is currently operating one 12-passenger vessel out of Sausalito. Captain Taylor has extensive nautical marine experience and is a rated commercial-vessel master.

Since the 2009 study did not focus on as-needed water-taxi service, the business model represented by the Tideline Group seemed unique and intriguing, and yet exclusive enough to not directly compete with a hop-on, hop-off style of operation. Therefore, both Dave Thomas and Captain Lewis have been presented with the business terms described in the staff report for this item, and each of them have reviewed and discussed the provisions of the port's landing-rights license in the standard form approved by the city attorney's office. And each operator is looking forward to commencing service in time for this year's Fleet Week. That's next month.

Today we are asking the Port Commission hereby approve the landing-rights license agreements with San Francisco Water Taxi and Tideline Marine Group on the terms and conditions described in the staff report. We ask that you

authorize the executive director or her designee to finalize negotiations and execute the landing-rights license agreements.

Taylor Lewis – I've had the pleasure of seeing you guys before during this whole process. We wanted to thank the staff of the port and all the other members who contributed to this study. We look forward to virtually kind of redefining how people move around this bay. We have a lot of great relationships in the North Bay. We have a great alternative to keep people off the roads and show them a different area of this great place. We want to thank MMP, who are great operators. We're looking forward to spreading our operator knowledge to the San Francisco waterfront domain and look forward to good things. Working in conjunction with another operator in the maritime world, we're all looking out for each other. Safety is first. We look forward to representing that forward-thinking attitude that San Francisco is known for. We look forward to this opportunity.

Captain Ray Shipway - Thank you for the staff's due diligence in making sure that this happened in a timely manner. We're all up against the gun trying to get this going for the Fleet Week and also for the America's Cup. It was done right. I'd like to also thank Captain Lewis, who has sought out union representation for his crews. He is very pleased with the training that we can provide for his captains and crews. He's also agreed to an area standard-prevailing wage for the captains and the crew onboard his vessels. Hopefully we can establish a prevailing wage that works good for San Francisco and maintain a union waterfront.

Commissioner Brandon - Can you briefly describe the selection process, how you got from nine to four to two, and what the criteria was based on?

Gerry Roybal - The nine operators who approached us with strong intentions were from Alaska, Chicago, the Potomac River operator that runs water-taxi services around Washington, DC, and services the stadium for the Nationals. However, they did not actually come forward. The other five did not come forward with full proposals, full written proposals. They weren't compliant with the basic requirements of the RFQ. That left us with four who were actually responsive, met all the timelines, filled out all the criterion.

The questioning was on a weighted scale. The most weight that we gave to the responses was based on financial stability, maritime safety-experience record, asset ownership and/or ability to finance and capitalize assets, particularly of the boats, again, the class that we were talking about, which was less than 60 feet and 39 passengers or less. Some of the lesser weights went to their description of the kinds of service they would be providing. There were a couple others that, unfortunately, slip my mind. These were all based on a weighted scale.

During the interview, each of the candidates was offered the exact same questions, read in the exact same manner by myself. Based on their answers, each of the four panelists scored them individually. Then we did simple

mathematical calculations and came out with the candidates that had the best score, the second-best score, the third-best score, and the fourth-best score.

Commissioner Woo Ho - How many boats are in each fleet? Or is it one boat only?

Gerry Roybal - Currently, each operator has one boat. They each have designs to purchase another boat soon. This is a big learning experience for everyone. We tried this two years ago, and it didn't quite work as we thought it would. Now we're asking the two operators to try these two unique and different services and then grow into them.

Commissioner Woo Ho – You mentioned that one operator is on track to carry 25,000 passengers by year's end. I'm trying to figure out how one single boat can handle that.

Captain Dave Thomas – I'm the owner of the San Francisco Water Taxi, which I purchased about two years ago. It's been in operation over 20 years. It was struggling when I bought it. I was able to turn it around. Currently, we've run just shy of 18,000 passengers. Looks like we'll run 25,000 by year end. We do it at 16 passengers a boatload, \$10 a head, eight to 12 trips a day. We've been averaging very well in terms of our buildup. We'll go down a lot during the winter. That's why we're kind of excited about this example, because we think it'll use the slow winter months where our boat normally sits idle. We'll be running the water-taxi route as our new boat is built back in Florida, at which time we'll bring online, we hope, another 12-passenger boat just for the water-taxi route.

I'd like to thank you for this opportunity. I went back to Baltimore on several occasions. They have an inner harbor there where they have little pontoon party boats, something we could never put in our bay. Their harbor is about three to four feet deep and never has a ripple. Those little pontoon boats show up at water-station stops about every 15 to 20 minutes. You pay \$5 or \$8. You're able to go and get off at any location, their antique district, their food district, their entertainment district. You can hop back on these wonderful little boats.

For somebody out of town, it was so identifiable and so much fun that it worked for me. When I went back there about six years later, they were still running. It was just as exciting. I always felt there was a reason we did not have this here. I couldn't understand why. Now that we're putting it in, I think we're going to discover the reasons why we should have it and the reasons why we didn't have it before, and go through those painful moments. I think we're all going to learn together on this.

We don't know what the successful formula is, but we've set up a company that is a profit-sharing company. Everybody works for a commission, including myself and the boat. Everybody owns a piece of the action, which means during the slow winter months, we're not going to call you up and tell you we can't meet payroll. We're all working for ourselves at that point. That's why our captains and

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our staff love our boat. They do very well in the good months, and they've learned how to make bad months into good months.

We think it's a three-year route. Our first three years we feel are going to be pretty tough out there. We're basically a floating billboard with a lot of empty boats but we're hoping to somehow skip one of those years and get our passengers on as quick as possible.

There's been a lot of painful handholding behind the scenes here as we work out these details. Port staff has been very professional in trying to refine what is going to make this work. I'm hoping that we all realize we're really forging a new industry on the bay. We're doing it right now. If we had the answers, we would do it tomorrow. The people that eventually will replace us will look at what we've done and take the best and realize the mistakes that we made along the way. Hopefully not too many, too soon. Thank you very much.

Captain Taylor Lewis - Tideline's model has been developed over the course of the last six years by visiting every recreational and commercial port of call from Alaska to Maine. During that time, I've worked hand in hand with George Pasha, pretty paramount port-logistics individual, and returned here about a year ago and sculpted the idea of a port-logistics and transportation system that is now represented in Tideline.

Our vision is that we are building boats in Maine, trying to find the right boat for this bay. Why we feel this service hasn't succeeded in the bay thus far is existing corporations or companies, water-taxi companies, bring their model to our bay, which has a very established recreational and excursion fleet that kind of runs over and has a bunch of crossover with their industry.

This is a new market that requires some probing of where the demographic is. Our first vessel holds 12. Our next vessels are going to hold up to 25 to 28. They're Maine-built lobster boats, which means they're very stable. Safety is pretty much the most paramount when moving precious cargo. Our goal is to have three vessels working the waterfront by early next year, a second one by the end, if not close to the end of this season.

We have been very active in the North Bay community. We had a booth at the Sausalito Art Festival and gathered a lot of great feedback and information from the local community in Belvedere and Tiburon. Because our goal is to utilize the existing infrastructure here in the bay, which doesn't require anybody to develop anything.

We have our own protocol to insure safety. Our goal is to take no more than up to 25 to 28 passengers on our fleet. We'd rather keep vessel traffic minimal with that number. Our scalability is one, three, five. For our five vessels, we feel that could run the hemispheres and the routes which we are doing, which is cross-bay traffic as well.

We feel with the America's Cup coming up, there's going to be a lot of small-boat traffic from the recreational mega-yacht fleet. Our bay can't really facilitate a lot of the traffic that comes here. These individuals spend a lot of money off their private yachts, especially during the Cup. The general anchorage in this bay is in Richardson Bay, just north of the San Francisco Bridge. Those people like to socialize in San Francisco. They're going to have their small-boat traffic, their crew running their boats, picking them up at night at the St. Francis and whatnot.

Our shipping lanes for commercial traffic run east to west. The anchorage is north of the city. With that said, we don't want to have a headline that says, Small Boat, Foreign Operator, you know, Hit by a Tanker, Outbound Traffic. So we're going to facilitate a 24-hour launch service for these new guests to the city, which we would help to drive revenue around the bay. We're just looking at spreading money in places that should get it.

Our model is one vessel, and then three by early next year. Based on the response from the community at large, we would then move ahead. In our relationships with the Discovery Museum, we're kind of a platform for dynamic waterfront interaction.

Commissioner Woo Ho - We're all very excited about the concept of water taxis. We see the long-term use and vision of it across for tourists and other reasons, but we're also looking in the short run in terms of trying to relieve some of the congestion that we see from some of the major events coming up. I don't know how much of this is going to help with the Fleet Week, because it sounds like we're starting off, and we have to learn how to walk before we can run.

Commissioner Brandon and I were in Newport and their water taxis were used very effectively to alleviate the congestion for the World Series or the America's Cup there. They sort of commandeered any boat that was available and made them into a water taxi for that particular weekend and the boats were running every five minutes. You could get on a boat and go right straight over to where the America's Cup was because it was a centralized event.

I'm not sure that we're going to see that kind of effort there. I don't know what we can do for next year. Having experienced all the parking issues myself and not being able to get to America's Cup during the World Series when it was here so if I could have found a place where I could have parked and then got onto a water shuttle or a taxi, that would have been a much better solution. We support the idea.

I notice that you have the San Francisco Marina and other places that are beyond port property, I'm sure we have to figure out within the port but how do we cooperate to make these stops go to other parts that are managed by other landing spots that are managed by other agencies? That has to be part of the long-term plan. When you continue your negotiations, if not in the short term, to figure out how we do that in the long run because that will make it more

interesting, and probably economic for even operators to be able to go to places that are beyond port property.

Commissioner Adams - It's a good idea. It's almost like a pilot program just starting out. At one time in the 1990s, they might have even had a water-taxi service here in San Francisco. I know that Seattle has a water-taxi service. I agree with Commissioner Woo that we start out and give this opportunity. It has an opportunity to create more opportunities where more people will take advantage of it. I'm like her, if I wanted to go out and see the America's Cup, I would take a water taxi out there, do whatever I had to do. I'm going to vote to support this.

Commissioner Woo Ho - Parking Lot A or Seawall Lot 337 is a parking lot today. If people wanted to park there and then get on the taxi to go to see the America's Cup, is there something that could be worked out in particular? There's going to be a lot of pressure next year in terms of how people are going to come in to see the Cup. You have to be close to parking.

Gerry Roybal – In the Maritime Division, we oversee many different types of landings and facilities. I'm pretty confident we'll be able to find facilities.

Brad Benson, Special Projects Manager - Just on the America's Cup piece of this, Lot A in Mission Bay actually is in the city's People Plan as a satellite parking facility for the events as a sort of a regional lot where people can drive to the city and then take transit or, in this suggestion, a water taxi, if we can figure out the landing configuration adjacent to that site. We'll definitely look into that in conjunction with the People Plan.

ACTION: Commissioner Brandon moved approval; Commissioner Katz seconded the motion. All of the Commissioners were in favor. Resolution No. 12-68 was adopted.

12. FINANCE & ADMINISTRATION

- A. Request acceptance of material changes to the Port's Biennial Operating and Capital Budgets for Fiscal Years 2012/13 and 2013/14 and approval of the expenditure of \$1 million to purchase engineering work from the America's Cup Event Authority. (Resolution No. 12-69)

Elaine Forbes, Deputy Director of Administration and Finance - I'm here today to go over the budget changes from when you all approved the budget in February, and outline major changes for your review and acceptance, and specifically ask for your approval of a million-dollar expenditure to the Event Authority for some engineering studies.

The presentation today will go over the budget process and timeline, mostly for the benefit of our new commissioner, Commissioner Adams. We'll describe the major changes. I'll cover it in a high level and give you a little bit of an update on

the actuals for fringes and salaries. When I was last here, President Woo Ho asked what our estimates conservative, reasonable, aggressive. I have the answer for you.

In terms of the process, the Port Commission approves the budget in February, normally in two reads, informational and then an action item. We then submit our budget in the budget system to the mayor's budget office. They scrub our review. They scrub our requests and make changes sometimes to conform with city policy or for other reasons. Then it goes to the Board of Supervisors. In May, we have two hearings in front of the finance committee. The budget analyst prepares a report that recommends reductions. The board accepts or rejects those reductions and then reallocates those savings back to the Harbor Fund. The budget is finally approved in July and becomes effective in August. We operate on an interim budget between July 1 and August. And then in September, I come back to you and tell you what happened to the budget since you approved it.

The total operating budget for the current year increased by \$6.7 million since your approval. That's from \$65.9 to \$70.6 million. \$2.4 million is in the port's budget, and \$4.3 million is from adding South Beach Harbor. While the operating budget increased, the capital budget decreased \$1.7 million in the current year, from \$11.9 to \$10.2 million. The designation to future capital was eliminated in the current year. It was removed for budget year two, FY 2013-2014. The operating budget increased \$6.1 million, from \$67.6 million to \$73.7 million. \$1.6 million of that is in our operating budget, and again, \$4.3 million is from adding South Beach Harbor. In year two, the capital budget also increased, but only slightly, \$400,000, from \$10.5 to \$10.9 million.

The key drivers of these changes are the final America's Cup agreement. When we were here in February, we still had a long-term development deal, assuming responsibility for the South Beach Harbor. When we budgeted the harbor, we didn't know as much as we know today. It was a placeholder, that's \$4.3 million and it's balanced, revenues and expenditures. The other changes are from revenue losses that we learned about after approval, related to some lease changes, and the Board of Supervisor's process.

This chart is in your report and shows the overall changes. I will take these topic areas, fund balance, operating revenues, and expenses and capital in order. Basically, flat revenues plus increased expenses equal lower capital appropriations are the major story of the changes since you approved the budget.

The fund balance is down \$2 million from what you saw. As you know, fund balance is an estimate. We'll have the actual number when we're done with our year-end close but what drives that reduction in the estimate is that we did a supplemental appropriation last year to allocate funds to the cruise-terminal project in the amount of \$1.2 million. We pulled from fund balance to do that

supplemental appropriation. It's offset by a slight increase in our projections of where we'll end year end.

The operating revenues is relatively flat overall, a hundred-thousand-dollar change in the current year. That is driven primarily from an increase for that electricity surcharge from shore-power installation at Pier 70. We added a surcharge to repay the port for its investment of \$5.7 million in that project.

We also have a reduction in the payment in lieu of rent from the city. This payment in lieu of rent is because the America's Cup has delayed delivery dates for our loans and is using fewer venues. That is offset by increased rent from delaying those delivering dates. They're not exactly equal. They're not offsetting due to some technical changes related to Sinbad's and maritime rent.

We also reduced revenue in year two for the public realm project. As you learned from the report here, it will remove 87 parking-meter spaces in Fisherman's Wharf. We would need to increase percentage sales 7.5 percent to have that offsetting but at this point, we chose to just show the revenue reduction.

We also decreased revenue for the Backlands project, which we defunded, for the Pier 27 America's Cup improvements. We had anticipated revenue in year two. In the current year, it's a hundred-thousand-dollar change. In budget year, it's a \$600,000 reduction.

Operating expenses. The net change is \$2.4 million in the current year, and for budget year is \$1.8 million. As previously reported to the commission on April 24, 2012 when we were reviewing the LDA, the LDA included a payment for the assignment of rights for engineering plans for Pier 30-32. This resolution that you have before you would formalize the approval of that expenditure of a \$1 million payment to the Event Authority for engineering work which AECOM performed for Piers 30-32. The Port Commission previously approved this expenditure in concept.

In terms of the new COP repayment, when we came to you with the budget we did not have our \$38.5 million COP program. The budget increased to reflect that COP payment, \$1.4 million and \$1.8 million in year two. As previously discussed, the number of venues required to host the America's Cup, as well as the duration, has been reduced. Because of this, we will be operating them for longer. There are utility costs and other expenses associated with that and that's reflected as an increased expenditure.

The fire boat increased slightly, \$82,000 in the current year, \$50,000 next year. The Board of Supervisors made several reductions to our operating budget. They disapproved an IT position that the commission had approved but did allow us to have a position upgrade instead. They reduced other expenses related to professional services for cargo and cruise operators in the Maritime Division,

reduced some equipment purchases and the purchase of a sedan. The port staff concurred with those recommendations.

With regards to the changes in the capital budget, you'll see that since your approval of a capital budget, it has been decreased \$1.6 million the current year and has gone up \$400,000 in year two. The primary driver of this is the reallocation that I already discussed in the supplemental appropriation that we did last year. We defunded portions of the budget for the cruise terminal, for leasing capital improvements, and for elevator/escalator improvements that were assumed in the budget. We used them, instead, for the cruise-terminal project.

All of the Board of Supervisors' reductions went back to our Pier 29 fire project, which is a real benefit to the port. We're very appreciative that the Board reallocated all of the cuts to the Pier 29 fire in the current year and year two.

Capital and reserves, this chart is showing that with the Board of Supervisors' changes in the approved budget, we were able to meet the commission's policy for a 15 percent reserve of operating expenditures. In terms of capital, we were not able to meet the 20 percent allocated to capital in the current year or in year two, as we discussed when we talked about our financial plan. We do anticipate, starting in 2013, 2014, 2015, that we will meet that 20 percent.

This budget does look lean in terms of the capital repair and replacement budget, but actually, we've just shifted. We're making quite a large investment in capital in the waterfront with the AC34 program and the cruise terminal. We shifted what would have otherwise been capital and replacement expenditure to a debt-service payment. Then we allocated some fund balance to allow us to make all of those significant investments.

We didn't hit the policy, but it definitely allowed us to consider the tradeoffs as we made the decisions on the COP program and allows us to see how we're doing relative to where we know we ought to be.

Finally, Commissioner Woo Ho, you asked about our projections related to salaries and fringe. And I answered, "We use what the controller tells us to use." And you said, "Well, how accurate are they?" And this year, they were very, very close, 1.9 percent change from what we had in our budget estimates. As you'll see, salary went up \$443,000, and fringe went up 174, for a total change of 618. So I would say they were dead on.

I think in years where you have known salary increases and you have good contracts and terms for our fringe benefits, we're very close. In looking back, we were very conservative in years where there were labor concessions, and the budget came in with lower salary than projected. We're very close to using the controller's estimates.

Commissioner Brandon - I'd like to, once again, commend the staff, because we did very well with the Board of Supervisors, which means that this was prepared extremely well. Thank you so much.

I have one question, and that's regarding the \$600,000 that was reallocated from the Backlands project. When we first discussed that a few months ago, I asked what the thought process is for reallocating or refunding that money.

Elaine Forbes -. A very good question, Commissioner. It was a very hard decision to make to reallocate from the Backlands. It is a revenue-generating project. It's a project that we want to accomplish. There were two reasons we reallocated from it, its taxable debt, and we weren't spending it. Because we had so many other projects in the near-term horizon that we had to see done, we felt that we wanted to use that precious taxable debt and utilize it for the Pier 30-32 project and the other taxable elements that were ready to go, shovel ready.

We will issue revenue bonds again. The Backlands project is on the top of my list. As we look through those projects that will serve the public the best and have most positive revenue generation for us so we can pour it back into capital improvements. I know the Backlands will score well and so it's on our list. It was a capacity issue, and it was also a taxable debt that wasn't getting spent.

ACTION: Commissioner Brandon moved approval; Commissioner Katz seconded the motion. All of the Commissioners were in favor. Resolution No. 12-69 was adopted.

B. Accept the Port's Report on Contracting Activities for Fiscal Year 2011-12 (July 1, 2011 through June 30, 2012)

Elaine Forbes, Deputy Director of Administration and Finance - First, I would like to acknowledge Andres Acevedo and Megan Stephenson, who prepared this report. Andres is not here today, but Megan is with us. Megan did quite an excellent job getting all the data together.

This is your annual contracting report. It goes over several different elements, delegated authority, LBE participation, the LBE participation in actual contract payments, compliance with local hire, Local 21 staffing activity, which is something we've included in the report at the request of Local 21 Union, and projects completed by DPW.

First, related to delegated authority, as you know, the Port Commission has authorized the executive director to execute contracts under delegated authority for \$400,000 or less for public works and improvement contracts, which we call chapter six contracts, and for a \$100,000 for professional-services contracts, which are chapter 21, and to execute CSOs under \$500,000.

During this last fiscal year 2011/12, our executive director executed three contracts under delegated authority. All were small contracts, well under her threshold amount, one for coaching services for \$10,000, one for polling services for \$34,000, and one for foreign-trade consulting for \$30,000.

Last fiscal year, the port issued 17 contracts with a not to exceed amount of \$78 million. Ten of the 17 contracts required LBE participation. The LBE goal that the commission approved and is in those contract agreements averaged 15 percent. The attachment to your report shows these contracts broken down by construction and professional service, those that are exempt from LBE and those that are not. There are seven contracts that are exempt for two reasons. Either they have federal funds, and federal regulations preclude or prohibit the use of local preferences, or they're under the threshold amount to trigger competitive selection, which is \$100,000.

The report you have has inaccurate data on page four, because we only did some contract service order changes. This table has the corrected amounts. Our commission secretary, Miss Quesada, has the correct information and has provided you a copy. We'll have the correct report in the file.

Exhibit 1, the as-needed CSOs, is what we've corrected. There were 10 CSOs, for a total dollar amount, these are actual payments, contracts and payments, of \$2,681,000. Of that, payments to LBEs were 33 percent. For construction, there were 10 agreements, \$25.268 million. \$3.8 million went to LBEs, or 15 percent. Professional service, \$8 million, \$3.5 million or 44 percent paid out to LBEs. In the report, it says 22 percent, but it's actually 23 percent. The change added about \$300,000 of spending, and \$250,000 of that went to LBEs. It did improve the report.

Local hire is required for construction contracts bid after March 25, 2011. All contracts must meet a 20 percent minimum for work hours by trade. Six of our port projects qualified in the last fiscal year. They're listed here. All of the projects came in over 20 percent, with an average of 39 percent. We're very proud of that result.

In conclusion, the port exceeded our 20 percent goal in 2011/12, relative to actual payments, getting 23 percent. That is \$8.1 million in contract dollars that went to local business enterprises. The port construction projects provided over 1,660 hours of work to San Francisco residents.

We're very pleased to present this report to the commission. At your request, Commissioner Brandon, we'll be presenting these quarterly, going forward. We'll always do an annual wrap-up. The HRC decommissioned some software, the diversity tracking system, so we're putting in our own manual systems to get this report accurately reported. We appreciate your patience in getting to this point.

Commissioner Brandon - Once again, I want to commend you for exceeding the goal and it looks like we're doing great on as-needed and professional services. I'm wondering why is the construction goal only 15 percent?

Elaine Forbes - I may call my engineering colleagues to speak to this but the engineering goals are set based on the trades and availability of LBEs per trade. HRC looks to the types of bid packages that are in any scope of work and says,

"What is the maximum reasonable amount that we could achieve, based on the bid packages?" For some of our work, over water construction, pile driving, elevator/escalator work, we have some shortages of LBE firms. That's why you'll see if you look across exhibit two, construction contracts, there's a variety of goals per project that reflect the differences in the availability of LBEs.

Commissioner Brandon - What can we do to increase that goal?

Elaine Forbes - That's a very good question. Some of the things we've done have been on the workforce-development side, for example, the efforts we've put in to try to get started the pile-driving apprenticeship program. Other things we can do is very good advertisements. But in terms of just expanding the capacity of the LBEs, it really is on the labor-force-development side. We have put efforts into the pile-driving apprenticeship to be a training that's been offered to their own employees, as well as nonemployees. Those are some of the key things the port has done.

Commissioner Brandon - I'm just concerned because that's the bulk of our contracting projects.

Elaine Forbes - Quite a bit.

Commissioner Brandon - It just seems that we could do a little better and if we can help in any way, please let us know.

Commissioner Woo Ho - On this as-needed annual contract service orders, just so I understand, like under real estate, professional services contract amount as it is listed in total is \$2.1 million. Am I to understand correctly that we have actually spent only \$601,000 out of the \$2.1 million?

Elaine Forbes - That's right.

Commissioner Woo Ho - I don't know what your forecast is but to say that we would spend the full \$2.1 million because we have two contracts with Keyser Marston.

Elaine Forbes - This report reflects what we spent last year on those contract agreements. It's not a forecasting report in terms of where we'll end the contract term. I believe they're three-year terms. It's reflecting how much we spent in the last year of those contract terms.

Commissioner Woo Ho - So we may not spend the \$2.1 million.

Elaine Forbes - I believe we did spend it. We got very near to it. I could certainly prepare for the commission's review contracts' not-to-exceed amounts and total expenditures. That's just not what this attachment does.

Commissioner Woo Ho - I'd be interested in some of the professional services. If we're spending this amount of money every year on consultants versus figuring out whether we should hire the staff ourselves. I know that in some cases, it's very specialized and maybe focused on transactional level or whatever but it just seems like that's a lot of money we're spending on that, versus whether we could fill that need internally. I understand there's difficulty in hiring but it does seem like you're spending money on consultants versus staffing.

Commissioner Woo Ho - Monique, do you have an opinion on that?

Monique Moyer – Sorry, not at this time. I'll get back to you.

Female Voice - Some of these consultants on the engineering and the real estate side, what are some of the areas that they're filling in for us that we don't have internally?

Elaine Forbes - There's a wide range of services.

Jonathan Stern - The real estate as-needed contracts represent a broad range of services, depending on what projects are in our pipeline at given times. The actual workflow can be very uneven. The work consists of two main kinds of work. One is sort of an extension of staff, which I think Commissioner Ho was referring to in asking the good question whether we should just staff up. A lot of times, we're also seeking third-party opinion, specifically looking for opinions that are outside the port or city family, either to verify our work or to help in these situations which one way or another, end up being negotiations. That's one of the reasons for us to use those purposes.

In the past two years, it's been shown that our work can be very variable. With the America's Cup and then some of the bigger projects that are happening right now, it was hard for us to foresee and is very different than it has been in years past. The as-needed contracts help us even out our staffing capacity, as the work, at least in our division, ebbs and flows.

Uday Prasad, Senior Civil Engineer - I want to point out that some of the as-needed professional engineering services includes like geotechnical investigation work, which usually is not done by city staff as well as cost-estimating work. We don't have a professional cost estimator, so we always use our as-needed consultants to help us on that. We have seen quite a bit of work within the past couple of years because of America's Cup and some other revenue bond and GO bond projects. As these projects wrap up, I don't expect this kind of workload. In the future, we can manage with the existing staff. Most likely we won't need as much as-needed services. At this moment, I see this as a temporary kind of fill-in from our as-needed consultants.

Male Voice - I'd like to know, what does it really mean when it says, total environmental and related? It's kind of vague. I understand environmental

clearly but what else does that include when it means related? Is it everything related to environmental or could it be something else besides that?

Elaine Forbes - We're using that terminology, total environmental and related, to describe our environmental as-needed pool. There are services that are primarily environmental analysis and consulting but there are services, and related, that would cover the gamut of environmental analysis.

13. NEW BUSINESS

14. PUBLIC COMMENT

John de Castro - I'm a tenant at South Beach Harbor and I'm speaking for myself. I do appreciate the commission directing the staff to come down and talk to us yesterday. We had almost a hundred tenants at the hall down there listening to their information. The staff has agreed to drop the electric charge, which we appreciate, until the metering is done on the piers. So that's very good. What I'm concerned about is the staff does not seem to have listened to the concerns of the tenants regarding the parking and the setting of rates that are at parity with other public harbors. I find, also, that there's minimal understanding or compassion regarding the lack of parking down there. They're saying, live with it. We've had 205 spaces. But 205 spaces go back to 1985. It was a little quieter down there then. There's a little bit more going on down that end of the waterfront. The harbor is very busy at times. The South Beach Yacht Club is putting 50 to 60 boats on the line on Friday-night races. That's a lot of people running around that parking lot. There seems to be some lore that says that the Pier 40 space was included within the Cal Boating loans to allocate about a hundred spaces but nobody can seem to put their finger on that lore. A little investigation needs to be done in that regard. The San Francisco Marina Harbor, as we've talked about the West Harbor, is totally reconstructed when they're done. Our harbor is 25 years old. According to the ordinance that was passed by the Park and Recreation Department and by the Board of Supervisors, the East Harbor is still at rates very comparable to South Beach Harbor. They're at \$8.75 a foot for my boat. I'm paying \$8.70. That was not included in the Tattersall survey, the difference in those two harbors, as far as I know. San Francisco Marina gets two parking passes. We're only going to get one. We're going to have to pay \$600 a year for the second pass. Now, I recognize they're a hunting license, just like a residential permit parking is a hunting license in my neighborhood in Potrero Hill. I think the port ought to think about giving us a little discount on our rates if we're only going to get one parking space, especially given the fact that our harbor is 25 years old. I think the East Harbor down at the marina is probably 30 to 40 years old. We're comparable in age, I would suspect. The port staff, in some cases, seems to be treating the Tattersall report as gospel and not taking into account other surveys that have been done by other public agencies, like San Mateo County, on the harbor rates in the bay area, which puts South Beach in the upper middle, but not at the very top or the very bottom. For my lot, they want us to walk out to our boat and back to the boat for a parking permit. That's a half-a-mile walk for me. I'm at the very end of a pier. I'm okay today walking that distance, but in a couple of years, I may not be. That's a long way to go. They want us to use the loading zone. When they got 50 and 60 boats in the harbor on

Friday night, all wanting to go out and go racing, that loading zone is not going to be big enough. Beside the fact, the only loading zone I'm aware of, unless they restripe the lot again, is over at the Pier 40. That's a long hike to the F dock, which is right at the end of the harbor. I would suggest and hope that you would redirect the staff to redouble their efforts to determine how they can meet the loan requirements of the .6 parking spaces per slip, or as close as they can get. I'm happy that they've allocated 20 additional spaces on the apron at Pier 40 but I think they can do a little more.

Bill Adams - I'm a tenant at South Beach Harbor. I'm pleased that you now have a member whose name is Adams, as well. The reason I'm coming here today is because I'm concerned about the process of evaluating the rates, the parking conditions, and the revised contracts or the revised terms under which the South Beach Harbor tenants are going to be operating. I appreciate the efforts of Peter Dailey and Elaine in listening to the harbor tenants. However, there's a very big difference between listening and actually considering logical, rational arguments. It's important to understand that what is being proposed is to raise the rates of our berth payments by about 40 percent. That's unreasonable. 10, 15, 20, maybe but 40 percent is unreasonable. What they're presenting is that the North Harbor rates, for the fully-revised refurbished harbor, should be given to the South Beach Harbor. It's wrong. It's unreasonable. It's unsupportable. It's not logical. The rationalization for this increase is the Tattersall Report. It's being represented as indicative of market value. It is a flawed, biased report that shouldn't be used to determine market value. There are other reports that indicate that lower rates are more appropriate to market value. For example, the East Harbor, operated by Parks and Rec, is more typical of market rates. It's consistent with our current rates. I want to urge you to direct the staff to reconsider the Tattersall report as an establishment of market rates for the revised conditions for the South Beach Harbor tenants. The possessory-interest tax has been taken away from our harbor. It is pledged by contract to be used to pay for the debt service and interest on the loans. As justification for the increase in our harbor rates, the explanation has been given that we are underwater. We're losing money in the next few years, because we have to pay the principal and interest on these loans and on the bonds. If we were to have the possessory-interest tax and the other taxes that were pledged to be used for principal and interest on these loans, we would not be in the situation we're in, and it would not be necessary to raise our rates in such an egregious manner in order to meet these budget and financial projections. I also want to speak to parking. The commitment from the BCDC was .6 parking spaces per slip. We're not even close to that. They're taking parking slips away. They're putting meters on our parking. The proposal, in general, both for parking, for the berth rates, and for the conditions of use of the South Beach Harbor, under the City and Port of San Francisco, is unreasonable. It isn't justified. It's logically inconsistent. Port staff, while being kind and sincere are misdirected.

ACTION: Commissioner Brandon moved approval to adjourn the open session meeting in remembrance of those who lost their lives on 9/11/2000 and reconvene in closed session; Commissioner Adams seconded the motion. All of the Commissioners were in favor.

Port Commission President Woo Ho adjourned the open session meeting at 5:30 p.m. and reconvened in closed session.

At 5:58 p.m. the Port Commission reconvened in open session.

ACTION: Commissioner Brandon moved approval to adjourn the closed session meeting and reconvene in open session; Commissioner Adams seconded the motion. All of the Commissioners were in favor.

ACTION: Commissioner Brandon moved approval not to disclose any information discussed in closed session; Commissioner Katz seconded the motion. All of the Commissioners were in favor.

15. ADJOURNMENT

ACTION: Commissioner Brandon moved approval to adjourn the meeting; Commissioner Katz seconded the motion. All of the Commissioners were in favor.

Port Commission President Woo Ho adjourned the meeting at 6:00 p.m.

SAN FRANCISCO PORT COMMISSION

Doreen Woo Ho, President
Kimberly Brandon, Vice President
Willie Adams, Commissioner
Leslie Katz, Commissioner

Monique Moyer, Executive Director
Phone: 415-274-0400; Fax 415-274-0412

Amy Quesada, Commission Secretary
Phone: 415-274-0406; Fax 415-274-0412

AGENDA

TUESDAY, SEPTEMBER 25, 2012
2:30 P.M. CLOSED SESSION
3:15 P.M. OPEN SESSION

GOVERNMENT
DOCUMENTS DEPT

SEP 21 2012

SAN FRANCISCO
PUBLIC LIBRARY

**PORT COMMISSION HEARING ROOM, SECOND FLOOR
FERRY BUILDING, SAN FRANCISCO CA 94111**

PLEASE NOTE THE DATE & TIME OF THE MEETING

The Port Commission Agenda as well as Staff Reports/Explanatory Documents available to the public and provided to the Port Commission are posted on the Port's Website at www.sfport.com. The agenda packet is also available at the Pier 1 Reception Desk. If any materials related to an item on this agenda have been distributed to the Port Commission after distribution of the agenda packet, those materials are available for public inspection at the Port Commission Secretary's Office located at Pier 1 during normal office hours.

- 1. CALL TO ORDER / ROLL CALL**
- 2. APPROVAL OF MINUTES – September 11, 2012**
- 3. PUBLIC COMMENT ON EXECUTIVE SESSION**
- 4. EXECUTIVE SESSION**

A. Vote on whether to hold closed session.

An Executive Session has been calendared to discuss the following matters:

- (1) CONFERENCE WITH LEGAL COUNSEL AND REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8. ***This session is closed to any non-City/Port representative:**

- a. Property: Block 4111, Lots 3 and 4; Block 4110, Lot 1; Block 4046, Lots 1 and 2; also known as Pier 70 20th Street Historic Buildings, located near the intersection of 20th Street and Illinois
Person Negotiating: Port: Byron Rhett, Deputy Director, Planning and Development
*Negotiating Parties: Developer: Orton Development, Inc.: J.R. "Eddie" Orton III, President

Under Negotiations: Price Terms of Payment X Both
Pursuant to Resolution No. 12-18, the Port Commission awarded to the non-Port party an exclusive right to negotiate with the Port for the lease and development of the property. In this executive session, the Port's negotiator seeks direction from the Port Commission prior to commencing additional negotiations with the non-Port party. The Port intends to discuss the factors affecting the price and terms of payment for the development of the property. In particular, the executive session discussions will enhance the capacity of the Port Commission during its public deliberations and actions to set the price and payment terms that are most likely to maximize the benefits to the Port, the City and the People of the State of California and/or to more effectively negotiate with the non-Port party on price and payment terms.

5. RECONVENE IN OPEN SESSION

- A. Possible report on actions taken in closed session pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67-12.
- B. Vote in open session on whether to disclose any or all executive session discussions pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

6. ANNOUNCEMENTS

- A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting:

Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.

- B. Announcement of Time Allotment for Public Comments:

Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

7. EXECUTIVE

A. Executive Director's Report

- Completion of Heron's Head Park – September 7, 2012
- America's Cup World Series Events – October 2-7, 2012
- Fleet Week – October 3-8, 2012
- Equity Office Properties conceptual proposal for activating Ferry Plaza

8. CONSENT

- A. Request approval for a representative of the San Francisco Port Commission to travel to Houston, Texas to attend the Breakbulk Americas Conference. (Resolution No. 12-70)
- B. Request authorization to expand Foreign Trade Zone No. 3 Alternative Site Framework Service Area to include additional Bay Area Counties and to amend Foreign Trade Zone No. 3 Zone Schedule (tariff). (Resolution No. 12-71)
- C. Request approval of resolution approving Section 3.15 of the LDA defining *force majeure*, and recommending that the America's Cup Project Director and the City Risk Manager purchase owner's delay insurance. (Resolution No. 12-72)
- D. Request approval of Fiscal Year 2012-13 and 2013-14 Executive Director Salary. (Resolution No. 12-67)

9. PLANNING & DEVELOPMENT

- A. Informational presentation and Status Report on the America's Cup People Plan.
- B. Informational presentation on the progress from plans to projects for the 69-acre Pier 70 site, located near the intersection of 20th and Illinois Streets.
- C. Request approval of a Final Mitigated Negative Declaration and Addendum, and the Jefferson Street, Phase 1 Project, authorizing the Department of Public Works (DPW) to construct the street and sidewalks of a two block section of Jefferson Street, between Jones and Hyde Streets; the relocation of one JC Decaux advertising kiosk; and agreements with DPW and Municipal Transportation Agency as necessary to carry out tree removal permitting, and changes to on-street parking and traffic regulations on Jefferson Street between Powell and Hyde Streets. (Resolution No. 12-73)
- D. Request authorization to issue a Request for Proposals (RFP) to rehabilitate and re-tenant the Pier 38 bulkhead building located at Delancey Street and The Embarcadero. (Resolution No. 12-74)

10. REAL ESTATE

- A. Informational presentation on AMB Pier One LLC Pier 1 Energy Efficiency and Solar Array Project.

11. NEW BUSINESS

12. PUBLIC COMMENT

Public comment is permitted on any matter within Port jurisdiction and is not limited to agenda items. Public comment on non-agenda items may be raised during New Business/Public Comment. A member of the public has up to three minutes to make pertinent public comments before action is taken on any agenda item and during the new business/public comment period. It is strongly recommended that public comments be submitted in writing so they can be distributed to the Commissioners for their review. Please fill out a speaker card and hand it to the Commission Secretary. If you have any question regarding the agenda, please contact the Commission Secretary at 274-0406.

13. ADJOURNMENT

FORWARD CALENDAR (Targeted Commission Meeting, Subject to Change)

- Informational presentation of public process to carry out San Francisco Bay Conservation and Development Commission (BCDC) planning studies as required by BCDC Special Area Plan Amendment for the Pier 27 Cruise Terminal and Northeast Wharf and 34th America's Cup Projects (October 9, 2012)
- Informational presentation on the Seawall Lot 337 project update and Exclusive Negotiation Agreement extension (October 9, 2012)
- Request approval of Term Sheet with Orton Development Inc. for rehabilitation of the Pier 70 20th Street Historic Buildings (20th Street east of Illinois Street) (October 9, 2012)
- Request authorization to advertise for Request for Proposals for hazardous waste disposal services (October 9, 2012)
- Request approval of a proposal by the Black Rock Arts Foundation to extend the Port Commission approved temporary installation of public art located near Mission Street on the east side of The Embarcadero, on the plaza between the Agriculture Building and Pier 14, by seven months until May, 2013, with option for a further six month extension (October 9, 2012)
- Request authorization to execute approval of annexation of Pier 1 to City and County of San Francisco Special Tax District No. 2009-1 (San Francisco Sustainable Financing) and approval for payment by the Port Commission of its pro rata share of special taxes as subtenant in accordance with its Sublease with AMB Pier One LLC (October 9, 2012)
- Informational update on the status of the Port's Blue Greenway projects (October 23, 2012)
- Informational presentation and possible action on Fiscal Feasibility Analysis for the Warriors proposed multi-use facility and related development on Piers 30/32 and Seawall Lot 330 (October 23, 2012)
- Informational presentation on Seawall Lot 337 feedback from October 27, 2012 community workshop (November 13, 2012)
- Informational presentation on Forest City's proposed plan for the Pier 70 Waterfront Site (November 13, 2012)
- Request authorization to advertise for competitive bids for the Pier 50 Maintenance Storage Shed, Contract No. 2750 (November 13, 2012)
- Request approval of new structure for South Beach Harbor Berthing Rates and Parking Management (November 13, 2012)
- Informational presentation on Forest City's proposed term sheet for the Pier 70 Waterfront Site (December 11, 2012)
- Informational presentation on Seawall Lot 337 term sheet (December 11, 2012)
- Informational presentation on the status of yellow tagged Port facilities (January 2013)
- Request Port Commission's endorsement of the term sheet with Forest City for the Pier 70 Waterfront Site (January 2013)
- Request approval of Term Sheet between Port and Seawall Lot 337 Associates, LLC for development of a mixed use project at Seawall Lot 337 (bounded generally by China Basin, the San Francisco Bay, Mission Rock Street, and Third Street) (January 2013)

- Informational presentation on the San Francisco Fire Department Earthquake Safety and Emergency Response Bond Improvement Project at Pier 22½ (Date to be Determined)
- Request approval to enter into agreements with the San Francisco Municipal Transportation Agency and the regional bike share program operator to use Port property for the Bay Area Regional Bike Share Pilot Program (Date to be determined)
- Request approval of resolution recommending that the Board of Supervisors form a City and County Infrastructure District No. 2 and adopt the Infrastructure Financing Plan included in Appendix C which will capture tax increment from the Seawall Lot 351 project (commonly known as the 8 Washington Street project) for site open space improvements, the Cruise Terminal project, under-pier utilities and pier substructure repairs; and authorizing the Port's Executive Director to enter into a Memorandum of Understanding with the City and County of San Francisco acting through the Controller's Office to implement the District (Date to be determined)
- Request authorization to award As-Needed Engineering and Related Professional Services (Date to be determined)
- Request approval of Federal Cost Sharing Agreement between the Port of San Francisco and the U.S. Army Corps of Engineers for study of the Central Basin Dredge Project (Date to be determined)

COMMUNICATIONS TO THE PORT COMMISSION
FROM SEPTEMBER 7 to SEPTEMBER 20, 2012

- From Port staff to Patric Kim, ILWU, regarding Cruise Terminal RFP
- From John deCastro, Co-Owner of Outrageous Slip F-107, regarding South Beach Harbor

OCTOBER/NOVEMBER 2012
CALENDAR OF UPCOMING PORT MEETINGS – OPEN TO THE PUBLIC

DATE	TIME	GROUP	LOCATION
OCT. 9	2:00 p.m. Closed Session	Port Commission	Port Commission Hearing Room @ the Ferry Bldg.
	3:15 p.m. Open Session	Port Commission	Port Commission Hearing Room @ the Ferry Bldg.
OCT. 23	2:00 p.m. Closed Session	Port Commission	Port Commission Hearing Room @ the Ferry Bldg.
	3:15 p.m. Open Session	Port Commission	Port Commission Hearing Room @ the Ferry Bldg.
NOV. 13	2:00 p.m. Closed Session	Port Commission	Port Commission Hearing Room @ the Ferry Bldg.
	3:15 p.m. Open Session	Port Commission	Port Commission Hearing Room @ the Ferry Bldg.

NOTES:

The San Francisco Port Commission meets regularly on the second and fourth Tuesday of the month at 3:15 p.m., unless otherwise noticed. The Commission Agenda and staff reports are posted on the Port's Website @ www.sfport.com. The Port Commission meetings can be viewed online at http://sanfrancisco.granicus.com/ViewPublisher.php?view_id=92. The Port Commission meetings are also broadcasted on the 2nd & 4th Thursday of the month at 9 p.m. on Comcast Cable Channel 26 or Astound Cable Channel 78 (formerly RCN Cable). Contact Amy Quesada at 274-0406 or amy.quesada@sfport.com

The Fisherman's Wharf Waterfront Advisory Group (FWWAG) meets regularly on a bi-monthly basis, on the third Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Rip Malloy @ 274-0267 or rip.malloy@sfport.com

The Maritime Commerce Advisory Committee (MCAC) meets every other month, on the third Thursday of the month, from 11:30 a.m. to 1:00 p.m. @ Pier 1. Contact Jim Maloney @ 274-0519 or jim.maloney@sfport.com

The Mission Bay Citizens Advisory Committee meets on the second Thursday of the month at 5:00 p.m. in the Creek Room at Mission Creek Senior Building located at 225 Berry Street in San Francisco (along the Promenade just beyond the library.) Contact Catherine Reilly at the former Redevelopment Agency @ 749-2516 or catherine.reilly@sfgov.org

The Northeast Waterfront Advisory Group (NEWAG) meets regularly on a bi-monthly basis on the first Wednesday of the month from 5:00 p.m. to 7:00 p.m. in the Bayside Conference Room @ Pier 1. Contact Jonathan Stern @ 274-0545 or jonathan.stern@sfport.com

The Central Waterfront Advisory Group (CWAG) meets monthly on an as-needed basis, generally on the third Wednesday of the month from 5 to 7 p.m. in the Bayside Conference Room at Pier 1. Contact Mark Paez @ 705-8674 or mark.paez@sfport.com

The Southern Waterfront Advisory Committee (SWAC) meets every last Wednesday of the month from 6:15 to 8:15 p.m. Location to be determined. Contact David Beaupre @ 274-0539 or david.beaupre@sfport.com

The Waterfront Design Advisory Committee (WDAC) meets jointly with the Design Review Board of the Bay Conservation and Development Commission on the first Monday of the month at BCDC, 50 California Street, Rm. 2600, at 6:30 p.m. The Committee meets as needed on the fourth Monday of the month at 6:30 p.m. in the Bayside Conf. Rm. @ Pier 1. Contact Dan Hodapp @ 274-0625 or dan.hodapp@sfport.com

ACCESSIBLE MEETING INFORMATION POLICY

FERRY BUILDING:

The Port Commission Hearing Room is located on the second floor of the Ferry Building. The main public entrance is from the west (Embarcadero) side and is served by a bank of elevators adjacent to the historic staircase. Accessible public restrooms are on the first floor at the northeast end of the building as well as on the second floor across the lobby from the Port Commission Hearing Room. The main path of travel to the Port Commission Hearing Room is equipped with remote infrared signage (Talking Signs). The Port Commission Hearing Room is wheelchair accessible. Accessible seating for persons with disabilities (including those using wheelchairs) is available. The closest accessible BART and MUNI Metro station is Embarcadero located at Market & Spear Streets. Accessible MUNI lines serving the Ferry Building area are the F-Line, 9, 31, 32 and 71. For more information about MUNI accessible services, call (415) 923-6142. The nearest accessible parking is provided in the following off-street pay lots: 3 spaces in the surface lot on the west side of the Embarcadero at Washington Street.

Hourly and valet parking is available in the Pier 3 lot. This lot is accessed through the Pier 3 bulkhead building entrance on the east side of the Embarcadero. This lot is located on the pier deck; adjacent to the ferry boat Santa Rosa. Additional covered accessible off-street pay parking is available in the Golden Gateway Garage, which is bounded by Washington, Clay, Drumm and Battery Streets. Entrance is on Clay St. between Battery and Front Streets. There is no high-top van parking. Metered street parking is available on the Embarcadero, Washington, Folsom & Drumm Streets.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

A sign language interpreter and alternative format copies of meeting agendas and other materials can be provided upon request made at least 72 hours in advance of any scheduled meeting. Contact Wendy Proctor, Port's ADA Coordinator, at 274-0592, the Port's TTY number is (415) 274-0587.

Know Your Rights Under the Sunshine Ordinance:

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Sections 67.1 et seq. of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Chris Rustom by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102-4689; by phone at (415) 554-7724; by fax at (415) 554-7854 or by email at sotf@sfgov.org. Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Mr. Rustom or by printing Sections 67.1 et seq. of the San Francisco Administrative Code on the Internet, at <http://www.sfgov.org/sunshine>.

NOTICES

Prohibition of Ringing of Sound Producing Devices:

The ringing of and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic device.

Lobbyist Registration and Reporting Requirements:

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Government Conduct Code Sections §2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness, Suite 3900, San Francisco, CA 94102, phone (415) 581-2300 or fax (415) 581-2317; web site: www.sfgov.org/ethics.



MEMORANDUM

September 20, 2012

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz

FROM: Monique Moyer *M. Moyer*
Executive Director

SUBJECT: Request approval for a representative of the San Francisco Port Commission to travel to Houston, Texas to attend the Breakbulk Americas Conference

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

The Breakbulk Americas Conference taking place in Houston October 8-11, 2012 is the largest and most important gathering in North America for companies involved in the shipping of heavy-lift, project cargo and traditional breakbulk cargoes, the cargo best suited for the Port of San Francisco's Pier 80. Breakbulk Americas is where shippers have the opportunity to meet and develop relationships with the leading specialized carriers, forwarders, ports, terminals and packers who have the expertise and resources to handle oversized cargoes with unique handling requirements.

Exhibitors include the world's major carriers, forwarders and ports (including the Port of San Francisco and Pier 80 terminal operator Metro Ports) that handle specialized heavy-lift, project and breakbulk cargoes. In addition to a bustling exhibition floor, Breakbulk Americas will feature a 2-day conference with top speakers addressing industry issues. The in-depth program will delve into today's most pressing breakbulk transportation topics. Speakers will also discuss the hottest regions for breakbulk and project cargo, and review sectors such as oil and gas, and other power generation markets. Over 4,000 people will be in attendance.

The Port of San Francisco and Metro Ports will also be co-hosting a customer reception the evening of October 10, 2012 near the conference center where current and prospective Port of San Francisco clients will be invited to meet, network and discuss business opportunities.

THIS PRINT COVERS CALENDAR ITEM NO. 8A

Attached, for your approval, is a resolution authorizing Port Commissioner Willie Adams to travel to Houston on October 10-11, 2012. This trip will give the Port Commissioner an opportunity to meet current and prospective Port cargo clients and encourage them to move their cargoes through Port of San Francisco facilities. The cost of this trip is covered in the Port Commission's Fiscal Year 2012-2013 budget.

Prepared by: James Maloney
Maritime Marketing Manager

For: Peter Dailey
Deputy Director, Maritime

**PORT COMMISSION
CITY & COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 12-67

WHEREAS, The Port of San Francisco's Pier 80 cargo facility is recognized in the industry as one of the best in the country for moving heavy-lift, project cargo and traditional breakbulk cargoes; and

WHEREAS, The Breakbulk Americas Conference taking place in Houston October 8-11, 2012 is the largest and most important gathering in North America for companies involved in the shipping of heavy-lift, project cargo and traditional breakbulk cargoes, the cargo best suited for the Port of San Francisco's Pier 80; and

WHEREAS, Shippers have the opportunity to meet and develop relationships with the leading specialized carriers, forwarders, ports, terminals and packers who have the expertise and resources to handle oversized cargoes with unique handling requirements; and

WHEREAS, The Port of San Francisco will have an exhibit booth at the conference's trade show and will co-host a customer reception with Metro Ports, both of which will facilitate meeting with current and prospective Port clients to discuss cargo business opportunities; and

WHEREAS, Port staff requests approval for Commissioner Willie Adams to travel to Houston to attend the Breakbulk Americas Conference; and

WHEREAS, The cost of this trip is covered in the Port's Fiscal Year 2012-2013 budget; now, therefore be it

RESOLVED, That the Port Commission hereby approves this travel request.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of September 25, 2012.

Secretary



MEMORANDUM

September 20, 2012

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Leslie Katz
Hon. Willie Adams

FROM: Monique Moyer *M Moyer*
Executive Director

SUBJECT: Request authorization to expand Foreign Trade Zone No. 3 Alternative Site Framework Service Area to include additional Bay Area Counties and to amend Foreign Trade Zone No. 3 Zone Schedule (tariff)

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

DISCUSSION

Port staff desires that the Port Commission authorize the Executive Director to submit an application to expand the Alternative Site Framework (hereinafter described as "Alternative Site") Service Area of Foreign Trade Zone (FTZ) No. 3 to the FTZ Board and to amend FTZ No. 3 Zone Schedule (tariff). The current Alternative Site Service Area comprises San Francisco and San Mateo Counties. Port staff is interested in expanding to 5 other Bay Area counties.

The FTZ Board implemented their new Alternative Site program in 2009. The new program streamlines the application process for FTZ applicants by reducing the application itself and by shortening the application processing time from 8-10 months to 30-45 days. The benefits are more portable to business locations outside of Port of San Francisco properties. Based on the reduced staff time required, Port staff believes it is justified to establish a separate fee schedule for Alternative Site FTZ sites from "Traditional Site Framework" subzone sites in the FTZ No. 3 Zone Schedule.

"Traditional Site Framework" sites are those that have been set up on the pre-Alternative Site program in areas outside of the FTZ No. 3 Alternative Site Service Area. These include the Chevron Refinery subzone in Richmond, California and the Valero Refinery subzone in Benicia, California. These sites will remain as Traditional Site subzones within the expanded Service Area.

This Print Covers Calendar Item No. 8B

Port staff has identified strong interest in the FTZ program in other Bay Area counties outside the current Alternative Site Service Area of San Francisco and San Mateo Counties, including Marin, Sonoma, Napa, Solano, and Contra Costa. All or parts of these counties fall within the potential geographic scope of FTZ No. 3. Expanding the FTZ No. 3 Alternative Site Service Area will therefore businesses involved in international trade access to this streamlined program in other parts of the Bay Area not currently covered.

The Port receives fees in exchange for facilitating new FTZ sites, primarily application, activation and annual fees (proposed at \$5,000, \$2,000 and \$14,000 respectively), so expanding the Service Area will provide new revenue opportunities. Port staff also hopes to induce new cargoes through Port facilities that may be destined to new FTZ sites in the expanded Service Area.

Port staff has consulted with both the Foreign Trade Zones Board staff, the administrator of the program, and U.S. Customs and Border Protection (CBP) officials, the oversight agency for the program, to discuss expanding our Alternative Site Service Area. Both agencies are supportive of the concept. CBP has concerns about servicing some areas of these counties due to the travel time that would be required by CBP oversight personnel. Port staff is awaiting their recommendation on the geographic boundaries of an expanded Alternative Site Service Area, which may result in fewer than 5 counties, or only parts of counties, being added.

One company that will take immediate advantage of the expanded Alternative Site Service Area designation will be CODA Automotive, an American company based in Los Angeles that produces electric cars in China. CODA has recently commenced assembling the vehicles at a facility in Benicia, Solano County. The batteries and vehicles are transported in containers to the Port of Oakland from separate plants in China, transported to Benicia and assembled, customized, tested and distributed to dealers from there. Upon approval of the attached resolution, CODA's facility will apply to be set up as an FTZ No. 3 site and they will take advantage of various benefits of the FTZ program, including duty deferral, weekly Customs entry and inverted tariffs.

FTZ Board regulations allow grantees to charge fees that cover costs for administering the zone at levels the Board deems "reasonable, fair and uniform". Port staff has analyzed these processes and have determined that, based on the reduced staff time required, it is justified to establish a separate fee schedule for Alternative Site FTZ sites from Traditional Site FTZ sites in the FTZ No. 3 Zone Schedule (tariff). If approved by the Commission, the proposed Alternative Site fee schedule will reduce the application fee from \$10,000 to \$5,000; the activation fee from \$3,500 to \$2,000; and the annual fee from \$20,000 to \$14,000.

BACKGROUND

Foreign trade zones were established by the U.S. Congress in 1934 to stimulate economic development in communities by providing businesses with facilities and economic advantages to conduct international trade activities. A foreign trade zone designation is granted by the FTZ Board within the U.S. Department of Commerce. Foreign trade zones

allow imported merchandise to be stored, sold, auctioned, tested, cleaned, calibrated, consolidated, sampled, relabeled, repackaged, inspected, displayed, repaired, commingled, manipulated, mixed, processed, assembled, manufactured, salvaged, or destroyed; these uses provide a variety of advantages in international trade.

In 1948, the Port of San Francisco received a Grant of Authority to establish, operate and maintain a foreign trade zone for the City and County of San Francisco (FTZ No. 3). A specific general zone was opened in 1948 at Pier 45 and subsequently moved to Piers 19-23, where it operated until December 2008. The zone was operated as a brick and mortar cargo facility for its first fifty years. Over time, its location on the Port's northern waterfront became operationally more difficult and truck loading/unloading on the busy Embarcadero made cargo handling inefficient.

In September 2009, the Port Commission authorized the Executive Director to submit Alternative Site Framework (Alternative Site) Modification No. 1 of FTZ No. 3 to the FTZ Board to reorganize FTZ No. 3 under the Board's new Alternative Site program. The Port subsequently submitted the modification application and was granted Alternative Site status by the FTZ Board. Piers 19-23 were de-designated as an FTZ at that time.

STAFF RECOMMENDATION

Port staff recommends that the Port Commission authorize the Executive Director to submit an application to expand the Alternative Site Framework Service Area of Foreign Trade Zone No. 3 to the Foreign Trade Zone Board and to amend the Foreign Trade Zone No. 3 Zone Schedule (tariff).

Prepared by: Jim Maloney, Maritime Marketing Manager

Prepared for: Peter Dailey, Deputy Director, Maritime

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
RESOLUTION NO. 12-71**

- WHEREAS, Charter Section B.3581 empowers the Port Commission with the authority and duty to use, conduct, maintain, manage, regulate and control the lands within the Port jurisdiction; and
- WHEREAS, the Port of San Francisco, on March 10, 1948, received a Grant of Authority from the U.S. Department of Commerce to Establish, Operate and Maintain Foreign Trade Zone (FTZ) No. 3 in San Francisco, CA; and
- WHEREAS, FTZs were established to stimulate economic development in communities by providing businesses with facilities for conducting international trade; and
- WHEREAS, the Foreign Trade Zone Board (FTZ Board) now provides Grantees a simplified method to facilitate new FTZ sites in their designated Service Area through their new "Alternative Site Framework" (Alternative Site) program; and
- WHEREAS, Port staff submitted in September 2009 an application for Alternative Site Service Area status for San Francisco and San Mateo Counties, which was subsequently approved by the FTZ Board; and
- WHEREAS, Port staff have subsequently worked in conjunction with other City and County agencies involved in economic development and international trade to seek FTZ status for companies that identify need or potential benefit from FTZ status; and
- WHEREAS, Port staff have identified strong interest in the Alternative Site program in other Bay Area counties outside San Francisco and San Mateo Counties; and
- WHEREAS, streamlined Alternative Site application and administration processes justify establishing a separate fee schedule for Alternative Site FTZ sites from non-Alternative Site FTZ sites in the FTZ No. 3 Zone Schedule (tariff); now therefore, be it
- RESOLVED, that the Port Commission authorizes the Executive Director to (i) submit an application to expand Foreign Trade Zone No. 3 Alternative Site Framework Service Area to include additional Bay Area Counties and (ii) amend Foreign Trade Zone No. 3 Zone Schedule (tariff) to add a separate Alternative Site fee schedule, as more particularly described in the staff memorandum to which this resolution is attached.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of September 25, 2012.

Secretary



MEMORANDUM

September 20, 2012

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz

FROM: Monique Moyer *M. Moyer*
Executive Director

SUBJECT: Request approval of resolution approving Section 3.15 of the LDA defining *force majeure*, and recommending that the America's Cup Project Director and the City Risk Manager purchase owner's delay insurance

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

OVERVIEW AND SUMMARY

On March 27, 2012, by Resolution 109-12, the Board of Supervisors unanimously authorized the Port Executive Director, upon Port Commission approval consistent with the Board's authorization, to execute a Lease Disposition Agreement ("LDA") between the City acting through the Port and the America's Cup Event Authority ("Authority") subject to certain risk management conditions specified in the Board's resolution. The LDA is in part an amendment to the 34th America's Cup Host and Venue Agreement ("HVA"), executed in December 2010 among the City, the San Francisco America's Cup Organizing Committee ("ACOC") and the Authority setting the framework for the City to host the 34th America's Cup ("AC34") events in 2012 and 2013.

The HVA called for ACOC to deliver a security instrument of up to a value of \$32 million to secure the performance by the City and ACOC of their respective obligations under the HVA (the "ACOC Security"). As the negotiations between the Event Authority and City evolved (including the removal of long term development rights of the Event Authority at Piers 30-32), City and ACOC staff continued to investigate the most appropriate debt instrument for the event¹. Over time, it became apparent to all parties that no single product was commercially available that would satisfy all aspects of the ACOC Security as originally conceived in the HVA.

THIS PRINT COVERS CALENDAR ITEM NO. 8C

¹ The staff presentation to the Board in March in conjunction with Resolution No. 109-12 noted that further underwriting analysis would be needed to procure security for the parties' respective Event-related obligations, including the revised construction responsibilities.

Accordingly, the parties negotiated a revised approach that provided the Event Authority with protection for those obligations deemed to be the highest priority. These included the successful completion and delivery of the event-related construction projects and the provision of City services in support of the AC34 events. In order to achieve this agreement, Section 3.15 of the LDA left for future approval by the Port Commission and Board of Supervisors a revision of the definition of *force majeure* events (also commonly known as *Act of God* events) in the LDA— those events considered beyond the control of the Port, and for which the Port would not be held responsible.

The proposed Port Commission Resolution attached hereto would remove fire, unusually severe weather, and labor disputes as events that excuse the Port from obligation to pay damages for delay in delivery of Piers 27 and 30-32.

In exchange for the reduction in security value from the \$32 million security contemplated in the HVA to an amount equal to \$9.8 million, the City offered a series of obligations and recovery mechanisms, including payment of a \$5 million penalty for failure to deliver venues on time. The Port and City Risk Manager have identified an insurance policy that would protect the City against these liquidated damages, should they result from delays including those caused by fire or unusually severe weather, but not against delays caused by labor disputes². The City's Director of Risk Management recommends procurement of this insurance policy.

The proposed Resolution would recommend that the City purchase the referenced insurance policy.

ACOC SECURITY BACKGROUND AND PROPOSED INSURANCE POLICY

The LDA reflects the parties' agreement as to a composite approach to each party's obligation to provide security for its performance to the other, which is intended to provide a comprehensive security arrangement that accounts for the issues that could not be addressed through the available insurance markets.

Under the LDA the City proposed to satisfy its obligation to provide the ACOC Security through a combination of sources (taken together, the "LDA Security"), including: (1) the City's use of liquidated damages and bond proceeds payable under the Port's construction contracts and insurance for improvements at Piers 30-32 and Pier 27 and for repairing the fire damage to Pier 29; (2) the City's payment of liquidated damages to the Authority up to a maximum aggregate amount of \$5 million (the "LDA Damages") should the City fail to deliver Pier 27 or Piers 30-32 to the Authority by March 1, 2012; and (3) a cash collateral deposit held under an escrow agreement (the "Cash Collateral") to secure other City obligations.

The Cash Collateral would be funded from City/ACOC sources, not the Port. The LDA requires the City to make an initial \$2.4 million deposit to fund the Cash Collateral by

² As an underwriting matter, insurers will not insure against delays due to labor disputes as they are considered to be under the insured party's control. However, based on a review of City construction project experience over the past several years, staff believes that a strike against the project is a remote risk and one that the City can manage more directly than the other force majeure events that are outside of the City's control.

January 15, 2013; the priority use of such funds would be to secure the City's obligations to deliver construction projects for waterfront Event venues, including any obligation to accelerate construction or prepare replacement space should its delivery of Pier 27 or Piers 30-32 be delayed beyond the LDA deadlines. To the extent funds are available in the Cash Collateral after delivery of those two projects, those funds would then be available to accelerate construction or prepare replacement space should delivery of repairs to fire-damaged Pier 29 be delayed beyond the LDA deadline.

The LDA further calls for the Cash Collateral account to be replenished to the full \$2.4 million amount by July 15, 2013 if necessary. Beginning in July 2013, the priority for the use of such Cash Collateral would be to secure the City's Event-related operational obligations over the course of July, August, and September 2013.

In addition to the Port's contractual remedies, construction bonds, and builder's risk insurance coverage available to mitigate the City's costs for construction delays at Pier 27 and Piers 30-32, the City's Director of Risk Management has identified an insurance product commonly known as owner's delay insurance (the "Insurance Policy") that would provide coverage for liquidated damages on the two primary Port construction projects needed for the events: the core and shell of the Pier 27 Cruise Terminal and the strengthening of the Piers 30-32 deck to accommodate sailing team bases.

The Insurance Policy (a) can be secured for a premium of \$1,015,000; (b) has a self-insured retention of \$2.4 million (reflecting the amount of the Cash Collateral); and (c) explicitly provides coverage for the LDA Damages for delays caused by covered perils. A summary of the proposed terms and conditions of the Insurance Policy is on file with the Port Commission Secretary and incorporated herein by reference as though fully set forth.

FORCE MAJEURE

In conjunction with the reduction in security to be provided for the City's and ACOC's obligations from the \$32 million contemplated under the Host Agreement to the City's obligation to provide LDA Security in the maximum amount of \$9.8 million (assuming City payment of the full amount of LDA Damages for delayed venue delivery and the full exhaustion of both the January and June 2013 \$2.4 million deposits to the Cash Collateral), the Authority sought to incorporate changes to the force majeure provisions of the LDA under which certain events will excuse the Port's obligation to deliver Pier 27 and Piers 30-32 by March 1, 2013.

Subject to good faith efforts to obtain subsequent Board approval, the City agreed to revise the force majeure provision to remove the following events: (a) fire; (b) unusually severe weather; and (c) labor disputes or strikes directed at the City's construction or other Event-related site preparation activities at Pier 27 or Piers 30-32. The effect of this revision is that the City would be obligated under the LDA to pay the Authority up to \$5 million in LDA Damages if the City is unable to deliver Pier 27 or Piers 30-32 by March 1, 2013, even if the delay is caused by fire, unusually severe weather, or a venue-directed strike.

The Insurance Policy would fund entirely the City's obligation to pay the Authority up to \$5 million in LDA Damages if the City is unable to deliver Pier 27 or Piers 30-32 by March 1, 2013 for the events listed in the draft declaration, which include fire or unusually severe weather, but not labor disputes. The City's Director of Risk Management reports that coverage for strikes against a project is generally not obtainable in the current insurance market due to moral hazard issues, and accordingly recommends procurement of the Insurance Policy upon approval of this Resolution by the Port and the Board.

The projected expenditures for the Events as reflected in the City's current two-year budget included amounts sufficient to pay the premium for the Insurance Policy and the deposits to the Cash Collateral referenced above, subject to reimbursement by ACOC.

RECOMMENDATION

Approve the proposed resolution approving Section 3.15 of the LDA, which defines *force majeure*, and recommending that the America's Cup Project Director and the City Risk Manager purchase owner's delay insurance.

Prepared By: Daley Dunham, Special Projects

For: Michael Martin, America's Cup Project Director,
Office of Economic and Workforce Development

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 12-72

- WHEREAS, On March 27, 2012, by its Resolution No. 109-12, the Board of Supervisors (the "Board") approved a number of matters relating to the 34th America's Cup races and activities to be held San Francisco in 2012 and 2013 (the "Event") and provided parameters for its delegation of authority to City officials to complete negotiations for and execute a Lease Disposition Agreement (the "LDA") with the America's Cup Event Authority, LLC (the "Authority") setting forth the City's (including the Port's) and the Authority's respective obligations in relation to the Event, subject to Port Commission approval consistent with the Board's Resolution; and
- WHEREAS, On April 24, 2012, by Resolution No. 12-35, the Port Commission authorized the Port Executive Director to execute the LDA, subject to conditions, including the negotiation of measures to provide each party with security for the other party's obligations under the LDA, consistent with parameters set forth in Board Resolution No. 109-12; and
- WHEREAS, Based on negotiations following the aforementioned approvals, the parties agreed: (1) consistent with Board and Port Commission approvals, that the City would provide the LDA Security described in the accompanying Staff Memorandum in full satisfaction of a requirement to be fulfilled by the San Francisco America's Cup Organizing Committee under the 34th America's Cup Host and Venue Agreement; and (2) to revise the definition of "*force majeure*" in Section 3.15 of the LDA to eliminate fires, unusually severe weather, and labor disputes as events that would excuse the Port's inability to deliver either the Pier 27 cruise terminal building or Piers 30-32 when required under the LDA subject explicitly to subsequent approval by the Port Commission and Board of Supervisors; and
- WHEREAS, The City's Director of Risk Management has identified and recommends that the City procure an insurance policy that would protect the City's General Fund and the Port Harbor from liability for up to \$5 million in liquidated damages that would be payable to the Authority for delays in the Port's delivery of either the Pier 27 cruise terminal building or Piers 30-32 caused by certain force majeure events, but not labor strikes. Based on review of City construction projects, staff believes that a strike against these projects is a remote risk and one that the City can manage more directly than the other *force majeure* events as described in the accompanying Staff Memorandum and concurs in recommending procurement of this insurance policy; now, therefore, be it

RESOLVED, That the revisions to the definition of "*force majeure*" as specified in Section 3.15 of the LDA and described in the accompanying Staff Memorandum are hereby approved; and, be it

RESOLVED, That the Commission recommends that the America's Cup Project Director and the Director of Risk Management take all steps necessary to procure the Insurance Policy described in this Resolution; and, be it

RESOLVED, That the Commission approves, confirms and ratifies all prior actions taken by the officials, employees, and agents of the Port Commission or the City with respect to the transactions and agreements described in this Resolution.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of September 25, 2012.


Secretary



MEMORANDUM

September 20, 2012

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberley Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz

FROM: Elaine Forbes 
Deputy Director, Finance and Administration

SUBJECT: Request Approval of Fiscal Year 2012-13 and 2013-14 Executive Director Salary

STAFF'S RECOMMENDATION: Approve Attached Resolution

Charter Section B3.581(h) grants the Port Commission the authority to set the compensation of the Port's Executive Director. The Charter provides that the Executive Director's compensation shall not exceed the prevailing salaries paid to those holding similar positions in comparable maritime employment. It is the Port Commission's practice to also review the salaries of directors of other enterprise and similar departments within the City and County of San Francisco, and to set the benefits and working conditions in accordance with the Municipal Executives Association (MEA) memorandum of understanding (MOU).

Staff conducted a survey of the salaries of port directors in the eight major West Coast ports. Of the eight seaports surveyed, three have authority over both the seaport and the airport. The remaining five ports have jurisdiction over the seaport only. For the latter group, the average annual salary is \$257,176. These directors (with the exception of Port of Stockton who provides a \$1,000 monthly car allowance) are also provided with an agency vehicle and free parking. The Port's Executive Director declined the use of a Port vehicle. Additionally, the Port's Executive Director pays, on a monthly basis, for parking at the Port for her private vehicle. A listing of these salaries averaging \$257,176 is attached.

Staff also surveyed the salaries paid to the directors of other enterprise departments and similar departments in the City and County of San Francisco, including the Airport, Public Utilities Commission, Department of Public Works, Health Department and the Municipal Transportation Agency. The average salary is \$267,154 as shown in the attachment.

This Print Covers Calendar Item No. 80

Based on past practice, the Port Executive Director is subject neither to collective bargaining nor representation by an employee organization. Conversely, nearly all other department heads including the Mayor are represented by the Municipal Executives Association (MEA) and have their salaries set through the collective bargaining process.

As a matter of practice, the Port Commission traditionally follows MEA's compensation attributes in setting the Port Executive Director's salary. Through the end of FY 2011-12, MEA, as part of the Public Employee's Committee, took wage and compensation concessions totaling an approximately 4.62% reduction, including suspension of pay for performance of 1.50%, furlough wage reduction totaling 2.19% in the first year and 2.05% in the second year, and a 1.00% reduction in funding for extended salary ranges (MCCP B&C Funds). The Port Executive Director, with approval of the Port Commission, also took the above wage and compensation concessions.

As of June 30, 2012, this concession package expired resulting in a 2 percent wage restoration and the new contract from MEA includes the following wage increases:

June 30, 2012	2 percent as wage restoration
August 14, 2012	One-time payment of \$3,486 as pay out of accumulated funds allocated in prior years for Range B and Range C adjustments
July 1, 2013	1 percent
January 4, 2014	1 percent
March 29, 2014	1 percent

Recommendation:

Given that MEA employees received wage increases of 2 percent going into the current year, with an additional 3 percent between July 1, 2013 and June 30, 2014, Port staff recommends the following increases to the Port Director's salary:

Current salary	\$238,576
Effective July 1, 2012 (2 percent)	\$243,348
One-time payment	\$3,486

This recommendation results in earnings of \$13,828 lower than the average of the Seaport director's surveyed and \$23,806 lower than the average of enterprise agency and other similar directors in the City and County of San Francisco, but is consistent with changing the Executive Director's salary to reflect the City's MOU with MEA. The City directors' salaries exclude the one-time payment of \$3,486 in the calculation of the average and the difference because City directors surveyed are overwhelmingly part of MEA and received the one-time payment separately from the base salary.

While it has been the Port Commission's practice to set the Port Executive Director's salary annually, Charter Section B3.581(h) does not require annual review but only that the Port Commission set the salary and that the salary not exceed the prevailing salaries paid to those holding similar positions in comparable maritime employment. MEA and the City have agreed to a two year compensation package, in keeping with the City's two year budget process. Accordingly, Port staff recommends that the Port Commission consider setting the Port Executive Director's salary through June 30, 2014 to match the term of the Port's bi-annual budget and MEA's MOU with the City. This would provide for administrative continuation of the Port Executive Director salary for two year fiscal years consistent with the following schedule:

July 1, 2013 (1 percent)	\$245,781
January 4, 2014 (1 percent)	\$248,239
March 29, 2014 (1 percent)	\$250,721

It is recommended, therefore, that the salary and benefits for the Port Executive Director be set at \$243,348 for FY 2012-13 with a one-time payment of \$3,486. This recommendation conforms to the salary setting parameters set in Charter Section B3.581. Further it is recommended that the Port Commission set the Port Executive Director salary through July 31, 2014 based on MEA's MOU with the City per the pay schedule described above.

Prepared by: Elaine Forbes, Deputy Director
Finance & Administration

Attachment 1:

West Coast Port Directors/City Department Heads Salary Survey

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 12-67

- WHEREAS, Section B3.581(h) of the Charter grants the Port Commission authority to set the salary of the Port Executive Director; and
- WHEREAS, Section B3.581(h) of the Charter provides that the salary of the Port Executive Director shall not exceed prevailing salaries paid to those holding similar positions in comparable maritime employment; and
- WHEREAS, a survey of salaries paid to Port Directors in the major west coast seaports indicated that the current average compensation is \$257,176; and
- WHEREAS, a survey of City department heads in similar enterprise departments indicated that the average salary as of June 2012 is \$267,154; and
- WHEREAS, it has been the practice of the Port Commission to establish benefits and working conditions for the Port Executive Director in accordance with the benefits and working conditions provided in the collective bargaining agreement between the City and the Municipal Executives Association; and
- WHEREAS the City and the Municipal Executives Association have adopted a two-year Memorandum of Understanding (the "MOU"), in keeping with the City's two year budget; now, therefore be it
- RESOLVED, that the salary of the Port Executive Director for Fiscal Year 2012-13 will be increased, as per the MOU to \$243,348 with a one-time payment of \$3,486; and, be it further
- RESOLVED, that the Port Commission also elects to set the salary of the Port Executive Director for Fiscal Year 2013-14 to be incrementally increased as per the MOU to \$250,721; and, be it further
- RESOLVED, that the benefits and working conditions provided to the Port Executive Director in Fiscal Year 2012-13 and Fiscal Year 2013-14 will be the same as those provided to employees represented by the Municipal Executives Association in Fiscal Year 2012-13 and Fiscal Year 2013-14, respectively.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of September 25, 2012.

Secretary

West Coast Port Directors
City Department Heads
Salary Survey June 2012

Port	Current Salary	Sea/Air	Effective Date	Total Empls	Total Gross Rev. (FY 10/11) (Millions)	Increase From Prev Review	Total Cargo Millions (Metric Ton)	Bargaining Unit	Civil Service Classification	Flat Rate/ Sal Range	Next Salary Increase
1 Long Beach	\$275,000	Sea	12/31/2011	485	\$345.39	Increase	6.10	No	No	Salary Range	N/A
2 Los Angeles	\$309,984	Sea	1/1/2012	989	\$400.50	Decrease	158.20	No	Yes	Salary Range	1/1/2013
3 Oakland	\$257,508	Sea/Air	1/1/2010	453	\$296.57	Decrease	33.14	No	No	Flat Rate	Unknown
4 Portland	\$346,565	Sea/Air	8/25/2011	769	\$277.00	Increase	13.63	No	No	Salary Range	8/23/2012
5 San Diego	\$250,000	Sea	7/12/2011	531	\$142.40	Increase	2.80	No	No	Flat Rate	Unknown
6 Seattle	\$364,139	Sea/Air	1/1/2012	1700	\$516.80	Increase	2.03	No	No	Flat Rate	1/1/2013
7 Stockton	\$225,000	Sea	6/2/2008	90	\$60.89	Increase	5.59	No	No	Flat Rate	7/1/2012
8 Tacoma	\$225,894	Sea	4/1/2012	250	\$114.10	Increase	17.27	No	No	Salary Range	Unknown
Avg- All Ports	\$281,761										
Avg- Seaports	\$257,176										
San Francisco	\$238,586	Sea	7/1/2009	252	\$63.80						

CCSF DEPARTMENTS	
1 Director, PUC	\$294,580
2 Director, Airport	\$287,973
3 Gen Mgr, MTA	\$294,000
4 Dir, DPW	\$204,750
5 Director, DPH	\$254,467
Average	\$267,154
Port Director	\$238,586

Port Executive Director Salary Difference
All Port \$43,175
Seaports \$18,590
SF Dept Head \$28,568



MEMORANDUM

September 20, 2012

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz

FROM: Monique Moyer *M Moyer*
Executive Director

SUBJECT: Informational Presentation and Status Report on the America's Cup
People Plan

DIRECTOR'S RECOMMENDATION: Information only; No Action Required

Executive Summary

As part of its extensive preparations for the 34th America's Cup (AC34), the City and Municipal Transportation Agency (MTA) have produced the America's Cup People Plan, to provide expanded transportation services for the many visitors attracted to see the sailing events.

Peter Albert, MTA Manager of Urban Planning Initiatives, will provide a briefing on the People Plan, and the City's experience of a dry run of various transportation enhancements during the AC34 World Series events in August 2012. The experience from that event plus the upcoming second AC34 World Series in October 2012, will enable the City to make further refinements and improvements needed to prepare for the greater travel demand anticipated during next year's America's Cup events starting in July 2013.

This informational briefing also addresses traffic changes for the October 2012 AC34 World Series, which include temporary closure of one northbound lane of The Embarcadero, between Washington and Bay Streets, during the weekend of October 6-7, 2012.

THIS PRINT COVERS CALENDAR ITEM NO. 9A

34th America's Cup

From August 21 to 26, 2012, San Francisco hosted the first of two 34th America's Cup (AC34) World Series international sailing competitions. The AC34 World Series race events are the precursor to the America's Cup in July 2013. As reported in previous Port Commission staff reports and presentations, the City has invested significant time and resources to plan many services and operations across a broad spectrum of government and non-government stakeholders to ensure AC34 is a success and properly supported. Under the AC34 Host Agreement, one of those key functions is to develop a "People Plan" to define the special transportation services and enhancements by local and regional operators to support the needs of the many thousands of spectators expected to come to watch the AC34 races.

The development of the People Plan was led by Peter Albert, Manager of Urban Planning Initiatives at MTA. The guiding principles, given the limited parking and travel capacity along the roadways accessing the spectator viewing areas is to favor transportation options other than the private automobile. Accordingly, the People Plan involved the collaboration of all City transportation service and operations departments, regional transit operators, Caltrans, and the public to program increased public transit service, outlying satellite parking locations connected to public transit, and expanded facilities to accommodate bicycle and pedestrian travel and access. The People Plan is available on the Office of Economic and Workforce Development (OEWD) America's Cup webpage:

<http://www.oewd.org/media/docs/AC34/09-30-11%20People%20Plan.pdf>

Given that many of the America's Cup facilities and operations are located on Port property, The Embarcadero receives a lot of focused attention in the People Plan. As a multi-modal transportation corridor, with connections to BART, CalTrain, and ferry operators that tie San Francisco into the regional transportation system, The Embarcadero is a key access corridor. The People Plan sets forth a robust program of transportation enhancements, including:

- 1) Muni Metro E-line light rail service between Fisherman's Wharf and CalTrain;
- 2) Increased service capacity and frequency on BART, Golden Gate Transit, WETA ferries, CalTrain, AC Transit and Muni;
- 3) New wayfinding and communications enhancements to help visitors effectively plan routes and reach their America's Cup destinations; and
- 4) Expanded and enhanced bike access routes, bike share and parking facilities, and space to accommodate large volumes of pedestrians.

The Plan is scalable, to enable service to be adjusted to peak travel demand days as well as event days when spectator/visitor volumes are projected to be lower. Mr. Albert will report at the September 25, 2012 Port Commission meeting on the transit and transportation enhancements that were put in place for the August AC34 World Series events, the results of that trial run, and the improvements planned during October 2-7,

2012 for the second AC34 World Series race events. The operational experience gained during the AC34 World Series will enable the City to refine and improve transportation services for the America's Cup events starting in July 2013. In addition, many People Plan enhancements are being evaluated for their potential as legacy improvements to the City's transportation system that remain after the conclusion of the America's Cup.

The Embarcadero

The October AC34 World Series will overlap with 2012 Fleet Week. This annual event, which features the parade of naval and other vessels, the Senior Leadership Seminar and the Blue Angels airshows, attracts tens of thousands of spectators which fill The Embarcadero Promenade. The addition of large numbers of additional spectators attracted to the AC34 World Series is expected to overwhelm the Promenade and bike lane, creating crowding and public safety issues. With the objective of encouraging alternatives to private automobiles and to preserve emergency access to the area, the People Plan calls for closing the right-hand northbound lane of The Embarcadero on peak spectator days. For the October 6-7 weekend, the right-hand northbound lane of The Embarcadero will be closed to private automobile use, between Washington Street and Bay Street to provide expanded room for bicyclists, and avail The Promenade predominantly for pedestrians.

The lane closure has been planned to work with continued operation of the Saturday morning Farmer's Market at the Ferry Building, and three cruise ship calls at Pier 35 during that weekend. The Embarcadero lane closure will be in place north of the Ferry Building, from Washington Street, and extend to Bay Street, south of Pier 35. At Bay Street, bicyclists destined for Fleet Week and AC34 World Series activities at Marina Green will be directed onto Bay Street, to Mason Street, then westward along North Point Street to reach Marina Green. Bicyclists and pedestrians destined for Fisherman's Wharf may continue along The Embarcadero north of Bay Street where two vehicle lanes will remain open.

The two travel lanes north of Bay Street are needed to support cruise and passenger loading operations of the cruise calls at Pier 35 as well as access to Fisherman's Wharf. The Star Princess will conduct a "full-turn" call on Saturday, arriving in the morning to off-board all passengers, including all baggage. In the late morning/early afternoon, the Star Princess will take on a new round of passengers and baggage. The Port maritime staff are working with Metro Cruises and Princess Cruise Line to manage the staging and handling of buses, baggage and passenger needs as efficiently as possible, to complete the bulk of these staging operations by 10 am on Saturday. The Port has requested that bus and vehicle access on both northbound Embarcadero lanes be allowed until 10am Saturday, before closing the right lane to vehicles.

On Sunday, the Sapphire Princess will make a "transit call" where passengers off-load without baggage to spend the day in San Francisco or tour various Bay Area attractions. Because there will be no baggage exchange operations, this cruise call can be accommodated within the Embarcadero lane closure.

Conclusion

The Port is working with other City agencies, including the Office of Economic and Workforce Development, Municipal Transportation Agency, San Francisco Police Department, and Department of Public Works, Fisherman's Wharf Community Business District, Fleet Week organizers and America's Cup Event Authority to disseminate information under the People Plan to encourage alternative travel modes, recommended routes and information systems to facilitate public access and enjoyment of the many waterfront activities planned during October 2-7, 2012 and next year for the America's Cup.

Prepared by: Diane Oshima, Asst. Deputy Director
Planning & Development

Prepared for: Byron Rhett, Deputy Director
Planning & Development



MEMORANDUM

September 20, 2012

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz

FROM: Monique Moyer *M. Moyer*
Executive Director

SUBJECT: Informational Presentation on the Progress from Plans to Projects for the 69-acre Pier 70 site, located near the intersection of 20th and Illinois Streets

DIRECTOR'S RECOMMENDATION: Information Only - No Action Required

EXECUTIVE SUMMARY

This staff report provides a progress report on transforming Pier 70 to a vibrant waterfront district. Pier 70 encompasses 69 acres roughly bounded by Mariposa, Illinois, and 22nd Streets and the San Francisco Bay. In the last 18 months, since the Port's completion of the Pier 70 Master Plan, the Port selected private development partners (Forest City and Orton Development) for portions of the site, secured necessary legislative changes, and advanced technical and policy planning. The two Pier 70 development partners are currently undertaking significant due diligence investigations. Orton and Forest City both intend to bring forward refined project proposals to the Port Commission, the Central Waterfront Advisory Group (CWAG) and the community for discussion later this year.

Pier 70 is a high priority project for Mayor Edwin M. Lee as part of his efforts to grow the City's economy and leverage the redevelopment of key underutilized properties in the City's portfolio to create significant public benefits for the City. In May 2012, the Port Commission recognized that leadership from the City's Office of Economic and Workforce Development ("OEWD") is essential to address the complexity of the Pier 70 project and assure that the full resources of the City are brought to this effort.

THIS PRINT COVERS CALENDAR ITEM NO. 9B

In addition to these development projects, OEWD and Port staff have been working on other fronts with the community and City family to formally recognize the rich maritime history of Pier 70 and address current site conditions. Later this year, staff will:

- i. Submit a Pier 70 Historic District nomination to initiate the process to list the Pier 70 Historic District on the National Register of Historic Places.
- ii. Work with the San Francisco Regional Water Quality Control Board ("Water Board") to secure approval of a Risk Management Plan establishing remedies and controls for containments in the soils from prior industrial use.
- iii. Collaborate with other City agencies to incorporate Pier 70's future needs into the City's plans for infrastructure, transportation, and other public services.

This report and the Port Commission Informational Presentation provide an overview of the background and policy context for Pier 70, the key project components, OEWD's role on the project and general next steps. No action is requested at this time.

This memorandum is organized as follows:

1. Define Pier 70 Sub-areas and projects underway
2. Introduction to the Port/OEWD project team.
3. Overview of Pier 70 Context and 2010 Master Plan
4. Overview of the five Pier 70 project components
5. Other sitewide "policy initiatives necessary to realize the Pier 70 vision
6. Immediate next steps

PIER 70 SUB-AREAS (EXHIBIT A)

- **Pier 70 Shipyard.** BAE San Francisco Ship Repair Inc. ("BAE SFSR"), a subsidiary of BAE Systems Inc., currently operates the ship repair facility on about 15 acres of land, piers and two dry docks. Ship repair is one of the Port's highest revenue maritime tenants and important to supporting San Francisco's cruise terminal.
- **Pier 70 Cove:** The northeast corner of Pier 70, from Terry François Boulevard south to, but not including, the historic buildings on the northside of 20th Street. This sub-area includes **Crane Cove Park**, a proposed 7 acre new park at the northern shore of Pier 70. An initial phase of improvements, funded by the 2008 Clean and Safe Neighborhood Parks General Obligation Bond, is scheduled to begin construction in 2014. It also includes the historic Kneass Building and about two acres of land for new development.
- The **Pier 70 Waterfront Site**, approximately 25 acres at the eastern edge of Pier 70, a site for new mixed-use development. Following a competitive development solicitation process, on July 8, 2011, the Port Commission approved an Exclusive Negotiation Agreement ("ENA") with Forest City Development California, Inc. for development of this site. Forest City is currently engaging with the community on its proposed vision for the Waterfront site, which will be presented to the Port Commission later this year. Forest City will also work with the Port and OEWD to

define an infrastructure system and regulatory framework that serves the Waterfront Site and Pier 70 as a whole.

- The **Pier 70 Historic Core** including six buildings on or near 20th Street focus on the immediate repair and rehabilitation of Pier 70's most valuable but deteriorated historic buildings. Following a competitive developer solicitation process, on May 17, 2012, the Port entered into an ENA with Orton Development Inc., ("ODI") for the lease, rehabilitation, and development of the 20th Street Historic Buildings. ODI presented its conceptual project to the Port Commission on July 10, 2012. A refined project proposal and business terms will be reviewed by the Port Commission in October 2012.
- **Pier 70 Hill** Irish Hill, a 1.5-acre land form, at the southwestern corner of the Pier 70, is planned as an open space. Two potential development areas are on either side of Irish Hill on the east side of Illinois Street. The Port owns one of these sites and PG&E the other. These sites are important to connecting Pier 70 to the Dogpatch neighborhood.

PIER 70 TEAM

On May 29, 2012, the Port Commission established OEWD as the lead negotiator on three major waterfront real estate development projects: the new Warriors arena, and the Giants' Mission Rock development, and Forest City's rehabilitation and remaking of the waterfront site on Pier 70. The potential, and complexity, of these efforts, and the importance of these projects to the Mayor's vision for growing the City's economy require singular leadership reporting directly to the Mayor to coordinate city-wide efforts on these projects and lead real estate development negotiations with private and public sector partners.

The OEWD, along with senior Port staff, will be the lead negotiator with Forest City on the Pier 70 waterfront site development project. Port staff will continue to work with OEWD to assist with environmental review and ensure the project's compliance with public trust policy and regulations of the State Lands Commission ("SLC"), the Port Commission, and the San Francisco Bay Conservation and Development Commission ("BCDC").

In consultation with OEWD, Port staff will continue to lead coordination efforts across the entire Pier 70 site with other City agencies, project partners and stakeholders to ensure all components of the Pier 70 project are complementary and working in concert to realize the City's vision for Pier 70. Port staff is negotiating with ODI the business terms of the rehabilitation of the 20th Street Historic Buildings and will coordinate closely with OEWD and the Planning Department in its review. Port staff will continue to manage the existing leases on the site (many which are of an interim nature) and the lease with BAE SFSR. Working with the City, Port staff are also the lead planners for Crane Cove Park and the Blue Greenway network that includes Pier 70. Port staff also is leading efforts with the Water Board and with PG&E to address legacy contamination issues at Pier 70.

The Port's Central Waterfront Advisory Group continues to provide community input to all the Pier 70 efforts as they have since 1999 including extensive participation in the planning processes to date.

CONTEXT FOR PIER 70

Pier 70 Today

Pier 70 is located on the shoreline of San Francisco Bay and generally includes the area bounded by 22nd Street to the south, Illinois Street to the west, and San Francisco Bay to the north and east, encompassing approximately 69 acres. The Pier 70 area includes Piers 68 and 70 and Seawall Lots 349 and 3492. BAE Systems operates the Port's ship repair facility at the site. Outside of the BAE SFSR lease area, there are 25 buildings, 11 of which are currently occupied. The San Francisco Municipal Transportation Authority ("SFMTA") leases 12 acres and 4 buildings for the City's impound yard for towed vehicles. The Noonan Building houses over a dozen artist studios. Delancey Street, Affordable Self Storage, Paul's Stores, Multicultural Radio and Sims Metals are other tenants at Pier 70.

Planning Context

Pier 70 is located in a City growth corridor that extends from Mission Bay south to Bayview Hunters Point, known as the Central Waterfront in adopted Planning Commission plans. From 2001 to 2009, the Planning Commission worked with the community to produce new policies for the Central Waterfront, as part of a broader Eastern Neighborhoods planning effort. The primary focus within the Central Waterfront was balancing new housing development and industrial uses. The Eastern Neighborhoods Central Waterfront Plan also introduced policies to create new parks and open space that extend to the Bay, preserve area architecture and history, and expand pedestrian and public realm amenities important to creating inviting places for residents, workers and visitors. The Blue Greenway Plan extended from these public discussions, to focus specific attention on creating a system of waterfront open spaces that also allow physical access from the City to the Bay waters wherever possible. These new policy initiatives also were supported by City transportation initiatives that have increased transit, bicycle and pedestrian access to the area.

2010 Pier 70 Preferred Master Plan ("Master Plan")

It was against this broader City backdrop that the Port undertook work to develop the Master Plan¹. From 2007 to 2010, the Port conducted a community process that evaluated the unique site conditions and opportunities, and the Port Commission's responsibilities, and built a public consensus for Pier 70's future that nested within the policies established for the Eastern Neighborhoods-Central Waterfront. The resulting Master Plan creates a strong policy framework that also sets forth strategies for Port development offerings and implementation initiatives. On May 11, 2010, by Resolution

¹ The Master Plan is available on the Port's web site: <http://www.sfport.com/index.aspx?page=218>

10-27, the Port Commission endorsed the vision, goals, objectives, and design criteria of the Master Plan shown in Exhibit B.

The Master Plan provides a framework for Pier 70 that served to:

- Allocate land between parks, ship repair, historic rehabilitation and new development sites in a manner to frame developer solicitations.
- Provide guidelines to protect the integrity of the historic district as substantial new development occurs.
- Prioritize investment in the most significant historic buildings.
- Assess the environmental remediation needed to re-use Pier 70.
- Articulate the case for General Fund investment in Pier 70 parks.
- Establish a basis to work with the SLC staff to define and secure legislation to rectify the public trust at Pier 70.
- Coalesce community support for a revitalized Pier 70, including substantial new development.

The Master Plan did not:

- Propose new zoning or height limits for the site.
- Define or prescribe specific building footprints or massing, or limit specific uses, recognizing the need to collaborate with the private sector to establish development parameters.
- Establish impact fees or other infrastructure funding mechanisms.
- Contain sufficient detail to support an environmental review under CEQA. That review will come after the more detailed planning underway at the present with the Port's development partners.

The City, working with its development partners, will determine a set of land use controls, business agreements, and implementation documents that provide the definition of Pier 70's future that the Master Plan did not. The implementation documents resulting this further planning will be approved by the Port Commission, and as required the Planning Commission, prior to Board of Supervisors review.

PARTNERSHIP PROJECTS AT PIER 70

Public/Private Partnerships to realize Pier 70 Development

Essential to realizing Pier 70's potential is a concerted "place-making" effort to establish an identity for Pier 70 as a unique West Coast district that will draw business tenants and local residents to enjoy the commercial and cultural offerings of the site, as well as its parks, open spaces, and connections to the Bay. The skills to do this lay within the private sector: first-hand knowledge of market conditions, experience leveraging private capital and managing complex entitlement processes, and hands-on experience implementing mixed-use development projects. The City is currently working with two private development entities on different components of the Pier 70 site to help realize the City's vision and goals for Pier 70.

Forest City Development California – Waterfront Site

Forest City specializes in large, urban infill projects, with a specialization in public/private partnerships. Forest City proposes to create a new mixed-use district on the Pier 70 Waterfront site that is an extension of the fabric of the adjacent Dogpatch neighborhood. Forest City also proposes to create an innovation cluster that includes a variety of office spaces for new economy with diverse activities and public amenities for the greater San Francisco community, in particular, artists, “makers”, and other creative sectors.

Forest City’s place-making planning process, underway now, reaches out to a broad range of individuals and organizations that are likely “users” of the future Pier 70 district. The outreach builds on the foundation established by the Port through the Master Plan community planning process. Forest City will build on that foundation through several community engagement activities undertaken in partnership with the OEWD, the Port, the Central Waterfront Advisory Committee (CWAG) and other formal and informal organizations and groups and including key stakeholders like the historic preservation community and the ship repair operations at Pier 70.

Forest City is developing a set of “Principles of Place” that will combine cultural goals and physical design principles to inform proposed project plans to create a place at Pier 70 that feels authentic and alive, where local community and the economy come together at the water’s edge of Dogpatch. Forest City’s planning is also addressing real estate market realities, infrastructure costs, and economic feasibility requirements to define development intensity and the mix of uses for the Waterfront Site.

Forest City anticipates presenting a project proposal to the Port Commission, CWAG and the community in November or December 2012. OEWD will lead development negotiations for the business terms needed to realize the Forest City vision, with support of Port staff and subject to the direction of the Port Commission. The Port Commission and the Board of Supervisors will endorse the business terms early next year, at which time environmental review will commence.

Orton Development Inc. – Historic Core: 20th Street Historic Buildings

In the interest of maintaining accelerated and priority attention to save the 20th Street Historic Buildings, the Port selected ODI as its developer partner. These buildings date from the 1880s and are in very dilapidated and fragile condition, needing seismic and other upgrades to bring them to active use. The knowledge and experience ODI has from the historic rehabilitation of the Ford Plant in Richmond and its extensive portfolio of revitalized industrial and office buildings directly relates to the requirements of these six buildings, which encompass 250,000+ square feet, including the massive Union Iron Works Machine Shop and the Bethlehem Steel office building at 20th and Illinois Streets.

ODI’s proposed concept is to rehabilitate these historic office and industrial buildings, utilizing Federal Historic Rehabilitation Tax Credits, for a range of businesses from light industrial (such as the SFMade industries), tech office, artisan/artist studios and showrooms, and dining destinations.

The next step for the ODI project will be Port Commission consideration of a term sheet with the parameters for a lease to be reviewed by the Port Commission and the Board of Supervisors, later this year. Construction repair proposals will undergo preservation review to ensure all work is consistent with Secretary Standards.

BAE Systems San Francisco Ship Repair – Pier 70 Shipyard

BAE San Francisco Ship Repair Inc. (“BAE SFSR”), a subsidiary of BAE Systems Inc., currently leases 15 acres of land and 17.4 acres of water at Pier 70 where it or predecessor entities have conducted ship repair operations since 1987. Twenty buildings, two floating drydocks, and seven functional cranes also comprise the leasehold. About 250 workers are employed year round at the shipyard with peak employment of 800 to 1,000 jobs.

The BAE SFSR leasehold and the ODI project are adjacent to each other; in fact, they overlap as BAE SFSR’s lease area will be smaller in the future. Currently, significant shipyard electric systems are in use in the Power House (Building 102) that ODI hopes to convert to a restaurant use. ODI has agreed to work with BAE SFSR to assess their respective needs for power and recommend a solution. The Port, working with the SFPUC and OEWD will determine how to include these electrical needs into the larger Pier 70 infrastructure system, also in collaboration with Forest City. This recommended plan will be developed in 2012, but implementation likely will be phased.

Adjacent to the shipyard operations are two important historic buildings, Building 6 and Building 111, which are not included in either Forest City’s or ODI’s development project. These buildings, if repaired, could be used to consolidate shipyard operations or could be rehabilitated for other uses. The long-term boundaries of the ship repair facility need to be defined before the Port can determine the best rehabilitation plans for these buildings and seek a developer partner.

CITY/PORT LEAD PROJECTS AT PIER 70

Two subareas of Pier 70, the Cove and the Hill are not included in either the Forest City or the ODI project. As shown in Exhibit A, the Master Plan includes three development areas on the east side of Illinois Street. These sites (totaling 4.5 acres) form the “cityside” boundary of Pier 70. Each includes a planned significant open space – Crane Cove Park and Irish Hill, respectively and sites for new buildings that will be the critical transition from the Dogpatch neighborhood and the revitalized Pier 70

These development sites can be re-zoned with the overall Pier 70 re-zoning and plan approval process. Further site planning for the Cove and Hill will be undertaken in Winter 2012, anticipating reviewing development options with the community in 2013.

Pier 70 Cove: Crane Cove Park and Development Sites

In 2008, San Francisco voters approved the 2008 Clean and Safe Parks General Obligation Bond for waterfront parks, which included \$33 million for parks in Port jurisdiction, including Crane Cove Park. Of that amount, \$22 million is slated for

waterfront shoreline, open space and way-finding improvements to implement the Blue Greenway on Port lands. To set a framework for these improvements, the Port led the City's effort to develop a community planning process to develop the Blue Greenway Design Guidelines.

In October 2012, Staff will review with the Port Commission the public comments received and request direction to facilitate the preparation of a draft Crane Cove Park Master Plan, cost estimate and phasing program. The draft plan will likely be a hybrid of the two alternative concepts. The draft park plan, phasing and cost estimates will be presented to the Port Commission, other public agency partners and the public for review and comment later in 2012. Construction of the first phase is anticipated begin in 2014.

In addition to the planned Crane Cove Park, this subarea includes the historic Kneass Buildings, several additional historic buildings, and the planned 19th Street Extension.. The parcels between Terry Francois to 19th Street including the Kneass Building will be considered as part of the Crane Cove Park planning process. Planning for the development site between the planned 19th Street extension and the Bethlehem Steel Headquarters building (Building 101) will be coordinated with plans for Crane Cove Park, the 19th Street extension, the ODI rehabilitation of Buildings 101, 102, and 104 and the realignment of the BAE SFSR leasehold.

Pier 70 Hill: Entry Plaza, Irish Hill, and Development Sites

This subarea is bounded by 20th, Illinois, 22nd and Michigan Streets. (Michigan is a paper street on the eastern edge of the Union Iron Works Machine Shop.) At the southeast corner of 20th and Illinois Streets, the Master Plan includes a plaza to maintain the view of the west elevation of the Union Iron Works Machine Shop (Building 113/114) and provide a sense of arrival at Pier 70. Between 20th Street and Irish Hill is a potential Port-owned development site of 2.5 acres (currently leased to Affordable Self Storage.)

Irish Hill is partly owned by the Port and partially by PG&E and planned (and currently zoned) as open space. PG&E's 3-acre site at 22nd and Illinois Streets is a potential site for new development and open space provision on the remnant of Irish Hill that could be considered as part of the broader Pier 70 planning. Planning for the Pier 70 Hill will be coordinated with Forest City and ODI as it is adjacent to both of their projects.

PIER 70 SITE WIDE POLICY INITIATIVES

Public Trust

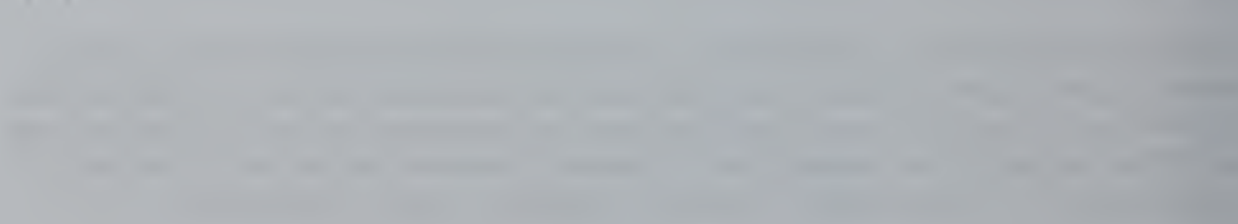
The Port acquired Pier 70 parcels from the State, the federal government, and private parties. Portions of the site are historic uplands that were never submerged tidelands subject to the public trust, and several parcels have been in and out of private and federal ownership, creating a patchwork of sites subject to public trust restrictions.

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RECEIVED: 10/10/98
FROM: J. K. STILLE
SUBJECT: 1,2-DICHLOROETHANE
1,2-DICHLOROETHANE (1,2-DCE) is a colorless, odorless liquid with a boiling point of 83.5°C and a melting point of -35.6°C. It is highly flammable and reacts with strong oxidizing agents. It is used as a solvent in the chemical industry and as a feedstock for the production of vinyl chloride.

1,2-DCE is produced by the chlorination of ethane. The reaction is exothermic and proceeds via a free radical mechanism. The product is a mixture of 1,2-dichloroethane and 1,1-dichloroethane. The separation of the two isomers is achieved by distillation. 1,2-DCE is a key intermediate in the production of vinyl chloride, which is used in the manufacture of PVC. It is also used as a solvent for a variety of organic compounds.

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This complicated history creates a patchwork of parcels where public trust use restrictions apply. Market potential and community consensus suggest that cultural, institutional, office, biotech, other commercial, and residential uses, most of which are not consistent with the public trust, should be developed at Pier 70 in areas that are least suitable for public trust uses. Higher land value uses are essential to generating the revenues needed to realize Pier 70's potential and the City's overarching goals. Today, the patchwork of land-use restrictions and title uncertainties related to the public trust impairs the ability of the City to further public trust purposes at Pier 70 and clouds the reuse potential of areas not subject to the trust.

On October 5, 2011, Governor Jerry Brown signed AB418 into law delegating to the SLC the authority to reorient these lands to further benefit the trust, for example by overlaying the trust on the current shipyard operations at Pier 70 and future waterfront parks. For areas remaining in the public trust, AB418 authorizes non-public trust uses of historic buildings, if necessary, to finance rehabilitation of the buildings consistent with federal standards and subject to certain other limitations.

OEWD and Port staff will collaborate with Forest City and ODI to determine a trust realignment to bring to the SLC as part of the future planning for the site. As part of the overall Pier 70 approval process, with extensive input from its development partners, the City will seek SLC approval of realigned trust boundaries.

Pier 70 National Register Historic District

The Port and its historic preservation consultants prepared a National Park Service ("NPS") nomination document to list the Pier 70 district in the National Register of Historic Places. Port staff has consulted with OEWD, Planning Department staff, ODI, and Forest City in preparation of the nomination. The Port will initiate the listing process in Fall 2012. The listing process includes the following key sequence of steps which will include public hearings and ongoing community outreach with preservation stakeholders.

1. State Office of Historic Preservation ("OHP") technical review
2. Port response and nomination revision
3. OHP referral of the nomination to the San Francisco Historic Preservation Commission ("HPC") for comment
4. State Historical Resources Commission hearing and recommendation to NPS
5. NPS evaluation and listing in the National Register

Environmental Conditions

With federal funding, the Port has investigated soil, soil gas, and ground water throughout the Pier 70 area and evaluated the potential human health and ecological risks associated with chemical constituents in the Pier 70 area. The Water Board and the City and County of San Francisco Department of Public Health are overseeing the environmental investigation, risk assessment, and remedial action. The investigation found that metals (arsenic, cadmium, chromium, cobalt, lead, mercury, nickel, and zinc) and polycyclic aromatic hydrocarbons ("PAH"s) are present in much of the soil at Pier

70. The contaminants are within the range that can be safely managed onsite through risk management measures.

The Port issued a Site Investigation and Risk Assessment Report in January 2011. In March 2012, the draft *Feasibility Study and Remedial Action Plan (FS/RAP)*, *Pier 70 Master Plan Area* was circulated for public comment. It was revised and finalized in May 2012. On August 9, 2012, the Water Board approved the plan finding it was an “acceptable and appropriate remedy for the site”. The Water Board has required the Port to prepare a Risk Management Plan (“RMP”) for the Pier 70 area by December 31, 2012. When the RMP has been finalized, it will be incorporated into an environmental covenant and deed restriction that will be applied to the site as part of the institutional controls described in the remedy. The Port is working with OEWD, Forest City and ODI to determine the best practices to include in the RMP and explore the most efficient ways to address remediation across the site. Once approved by the Water Board, all developers and tenants at Pier 70 will be required to comply with the terms of the RMP.

Additionally, the Port has been coordinating with Pacific Gas and Electric (PG&E), the former property owner, on its investigation of contamination at and originating from the adjacent Potrero Power Plant site to the south of Pier 70. Both the Port’s and PG&E’s investigations have found PAHs beneath a portion of the Waterfront Site near the southeastern boundary related to historic operations at the adjacent Potrero Power Plant. PG&E is responsible for addressing contamination from the power plant site. The Port expects to reach agreement with the Water Board and PG&E in 2013 regarding remediation and risk management measures.

Transportation

Now that the vision for Pier 70 is becoming more clear, Port staff and OEWD will work with SFMTA, the County Transportation Authority and the Planning Department as they plan for City’s future transportation needs. For example, a turnaround loop for the 3rd Street Light Rail is planned adjacent to Pier 70. This will improve both headways on the 3rd Street line, be the terminus of the future Central subway and will bring light rail closer to Pier 70. The City’s bicycle route network recently expanded to include upgraded bike lanes on Illinois Street. Additionally, growth at Pier 70 and within the Central Waterfront area is being analyzed as part of the Planning Department’s transportation implementation work for the Eastern Neighborhoods planning efforts.

Infrastructure Finance

Since 2006, the Port secured a number of public finance tools including access to tax increment financing using infrastructure financing district (“IFD”) tools and a mechanism to allow payroll tax growth to be reinvested in public facilities. Since 2010, the landscape for public finance has changed with the dismantling of redevelopment agencies in California and with consideration of replacement of payroll tax with gross receipts taxes.

The Port continues to seek funds for Pier 70. Recent accomplishments include:

- Enactment of AB1199 which allows the State share of property tax growth to be captured in a Pier 70 IFD district.
- Inclusion of a request for \$10 million toward Pier 70 parks in the 2012 General Obligation Bond to be submitted to the voters in November 2012.
- Investment of \$5.7 million of Port funds to upgrade the electrical systems at the shipyard to allow for shore powering ships in for repair.

Legislation in process at present includes:

- Proposing the establishment of a Port-wide IFD to City policy makers.
- Adoption of AB2259 clarifying the Port's IFD law to improve its usefulness
- Adoption of State legislation, AB2649, and local legislation that will allow the Port to meet some of the Pier 70 affordable housing nexus fee obligations through provision of affordable housing on appropriate sites in the northern waterfront.

OEWD, with support from the Port, will lead efforts with private development partners, SFPUC, DPW, SFMTA and other agencies to determine how to serve the entire Pier 70 site with infrastructure including identifying infrastructure costs and assessing public financing tools available to fund an infrastructure program for the site.

NEXT STEPS

OEWD and the Port will work with Forest City, ODI, and BAE SFSR to knit the portions of Pier 70 together. Beyond sharing an address and an infrastructure grid, the five projects discussed bring activity and vibrancy to Pier 70. As envisioned now, development and change at Pier 70 will happen in phases, beginning in the northwest corner, with Crane Cove Park, followed by the reuse of the revitalized 20th Street historic buildings, and moving toward the waterfront site.

More immediately, on September 26, 2012, staff will present an overview of the Pier 70 components to the CWAG. The discussion of Pier 70's future will continue this Fall with the following anticipated Port Commission presentations:

October 9, 2012	Approval of ODI Term Sheet for 20 th Street Historic Buildings
October 23, 2012	Update on Crane Cove Park Planning as a part of a Blue Greenway Informational update
Nov/Dec 2012	Informational presentation on Forest City's proposed plan

Prepared by: Kathleen Diohep, Manager, Public/Private Development Projects
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Mark Paez, Historic Preservation Planner

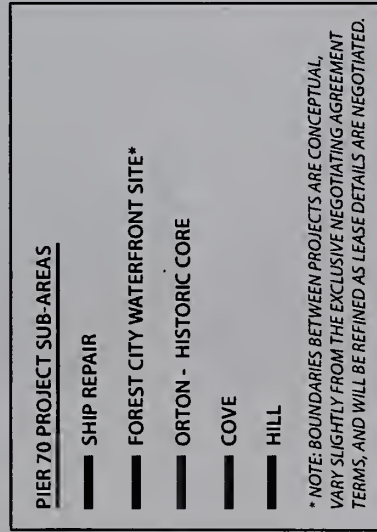
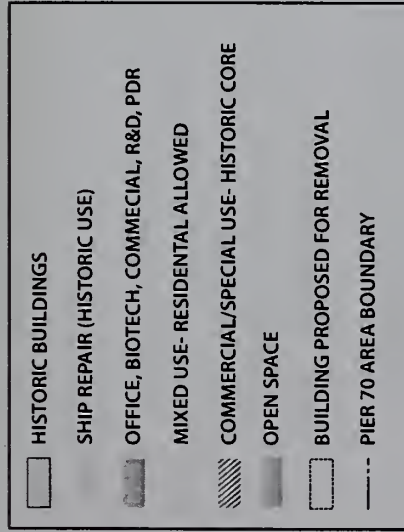
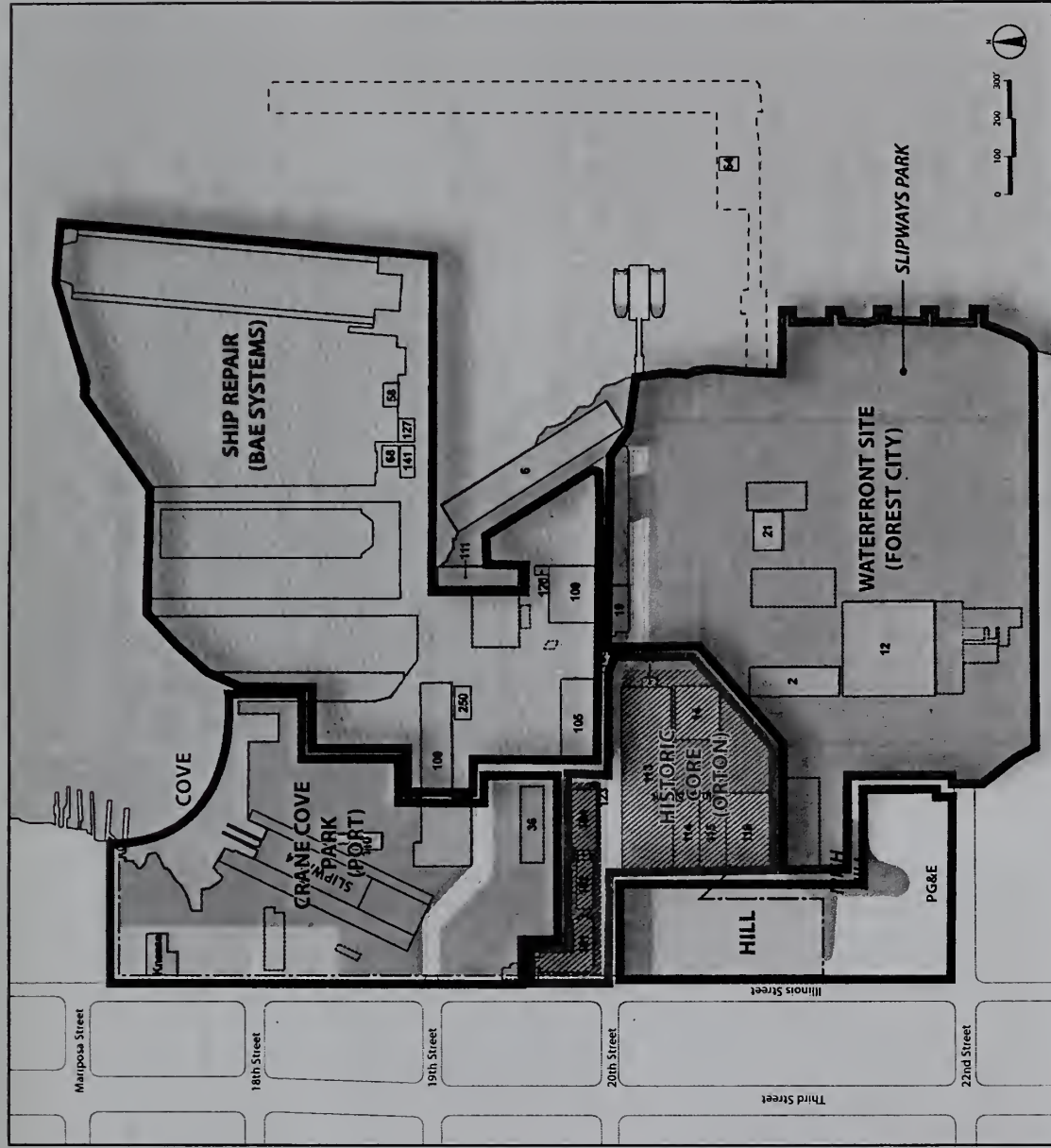
Through: Diane Oshima, Assistant Deputy Director Waterfront Planning
Jonathan Stern, Assistant Deputy Director Waterfront Development

For: Byron Rhett, Deputy Director Planning & Development

Exhibit A: Pier 70 Project Components

Exhibit B: 2010 Pier 70 Preferred Master Plan Maps and Policies

EXHIBIT A: PIER 70 PROJECTS



SEPTEMBER 2012

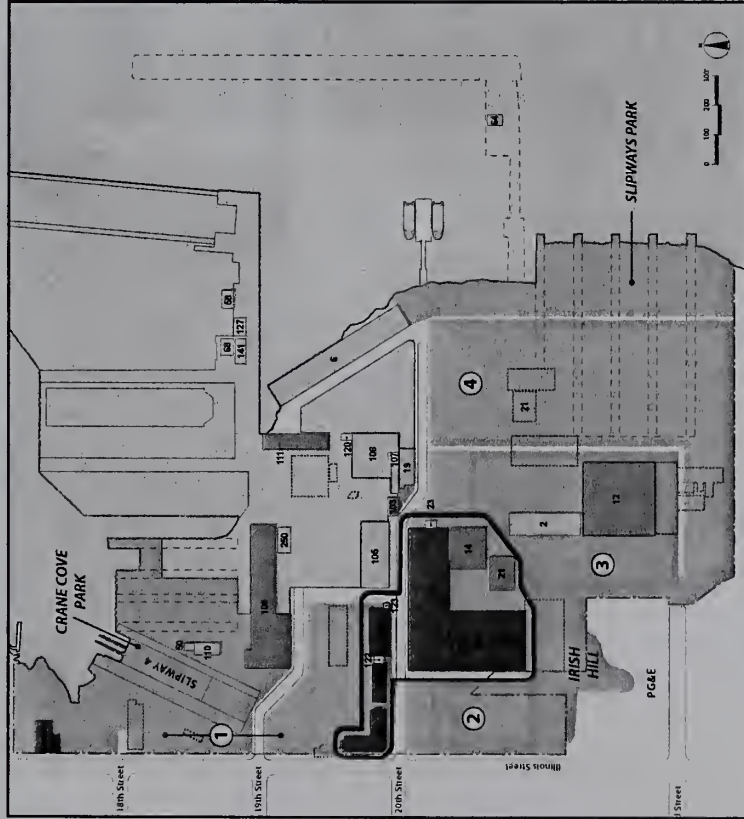
EXHIBIT B: PIER 70 PREFERRED MASTER PLAN GOALS AND POLICIES

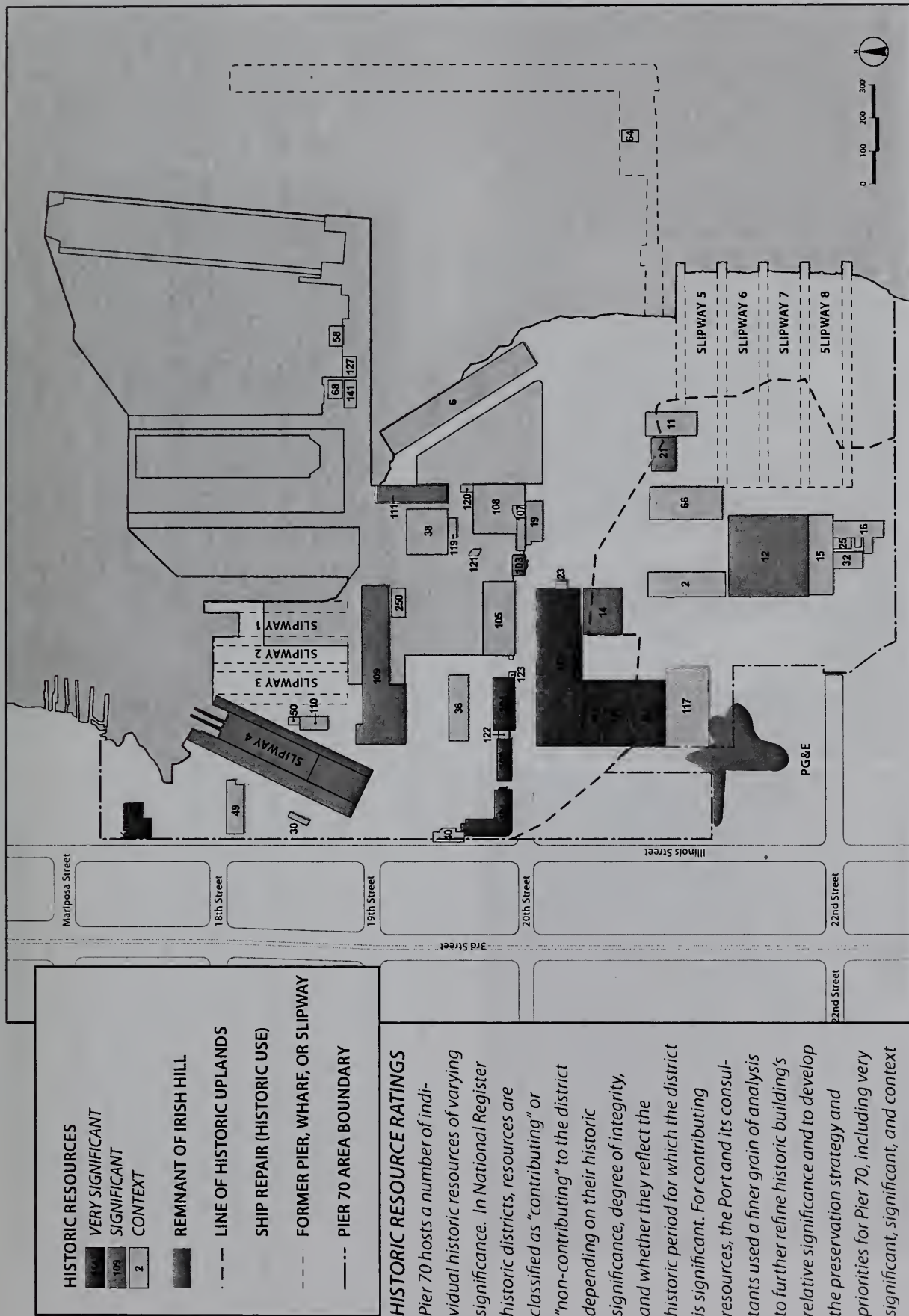
Vision:

Create a vibrant and authentic historic district that re-establishes the historic activity level, activates new waterfront open spaces, creates a center for innovative industries, and integrates ongoing ship repair operations.

Pier 70 Goals

1. Create a Pier 70 National Register Historic District and rehabilitate its extraordinary historic resources.
2. Preserve the long-term viability of the ship repair industry.
3. Create a major new shoreline open space system that extends the San Francisco Bay Trail and the Blue Greenway to and through Pier 70.
4. Promote sustainable mixed-use infill development and economic vitality that includes climate adaptation strategies appropriate to this waterfront location.
5. Provide sites for office, research, emerging technologies, light industry, commercial, cultural, and recreational uses to expand San Francisco's economic base and generate revenues to fund public benefits.
6. Promote development that is pedestrian-oriented and fosters use of alternative, sustainable transportation modes and practices.
7. Extend the city street grid to enhance public access and integrate new development with the Central Waterfront.
8. Remediate environmental contamination to enable use and public enjoyment of Pier 70 and its waterfront, and improve environmental quality.

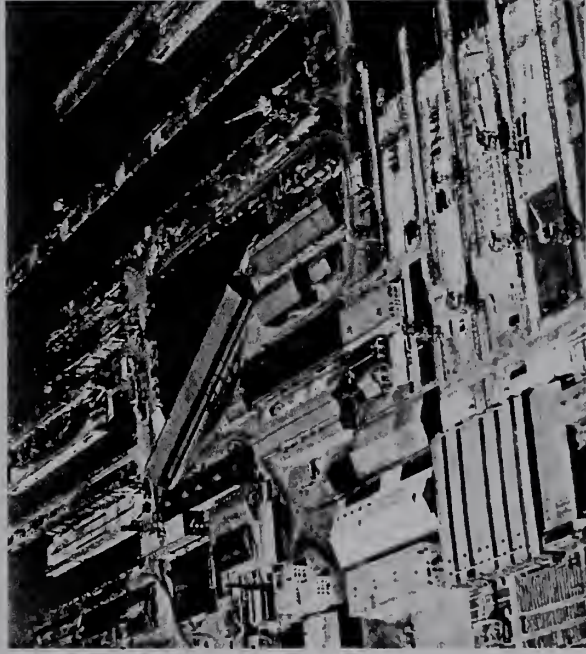


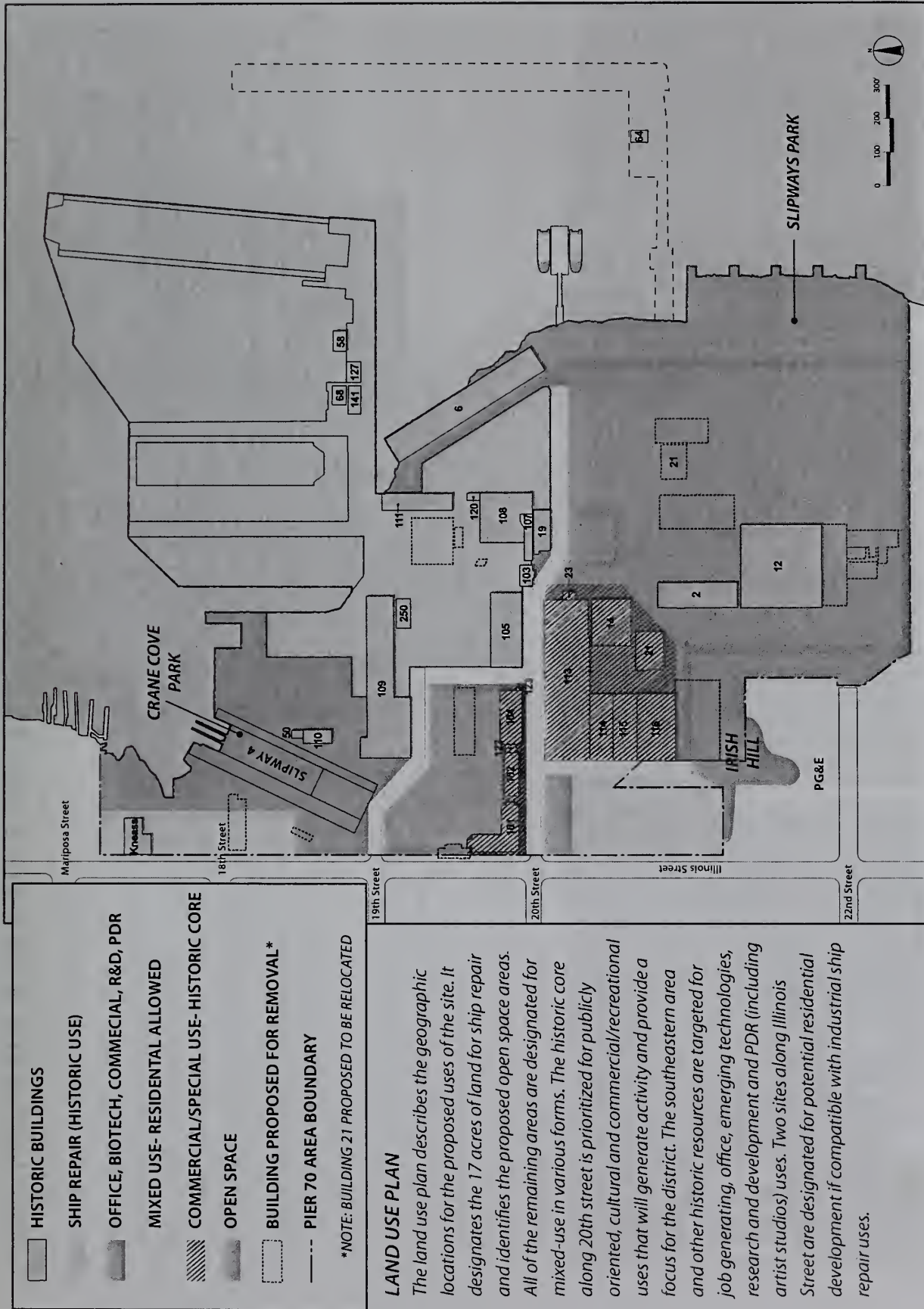


HISTORIC PRESERVATION

Historic Preservation Objectives:

1. Recognize continuation of viable ship repair and drydock operations as an act of preserving Pier 70's history, and give priority to physical shipyard changes necessary to support the contemporary needs of the industry while maintaining the overall integrity of the Historic District.
2. Protect the integrity of the Pier 70 Historic District by directing major new construction to open and vacant areas or locations containing Non-Contributing Resources, reflective of the history of the built environment at Pier 70.
3. Encourage adaptive reuse of the historic resources that add new life to Pier 70, consistent with Secretary Standards.
4. Apply design criteria for new infill development to ensure new construction meets Plan objectives and is sensitively designed, consistent with Secretary Standards.
5. Prioritize the stabilization and rehabilitation of Very Significant resources along 20th Street for public and private investment as early as possible.
6. Promote an understanding of the site's history, significance, and function through a program of coordinated interpretive exhibits in public areas and open spaces and as part of new development and historic rehabilitation improvements.





LAND USE AND ADAPTIVE REUSE

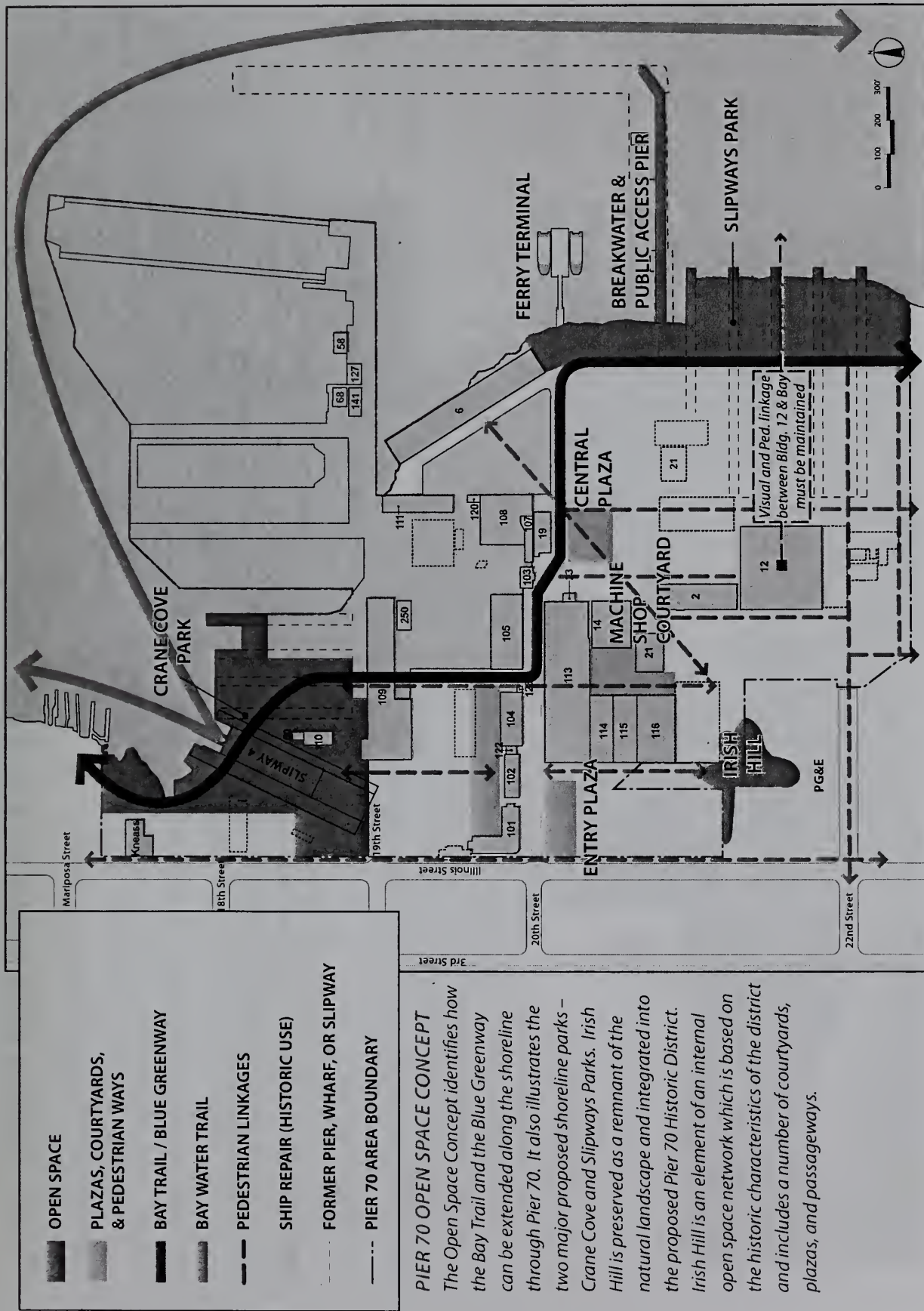
Land Use and Adaptive Reuse Objectives:

1. Recognize that the continuation of ship repair industry is consistent with the historic preservation objectives of the Plan and the Port's public trust mission. Ensure that new development and land uses are designed and managed to respect and be compatible with the operational needs of ship repair.
2. Invite a wide range of activities that promote public use and appreciation of the waterfront and of the rehabilitation of Pier 70's historic resources.
3. Promote a mix of uses oriented toward commercial, office, educational, retail, cultural, and entertainment uses along 20th Street, to provide an active entrance to Pier 70.
4. Target publicly-oriented uses for the Union Iron Works Machine Shop (building 113/114) as an anchor facility to activate Pier 70's

historic core along 20th Street, to attract broad public appreciation of this very significant grouping of historic resources.

5. Allow office, biotech, research and development, light industrial, and institutional uses in new construction and rehabilitated historic resources.
6. Consistent with the open space policies of this Plan, encourage imaginative architectural design of new development to contribute to the experience, activities, and enjoyment of shoreline parks and public spaces.
7. Allow limited residential development opportunities, if conflicts with ship repair operations and other adjacent uses are appropriately addressed.



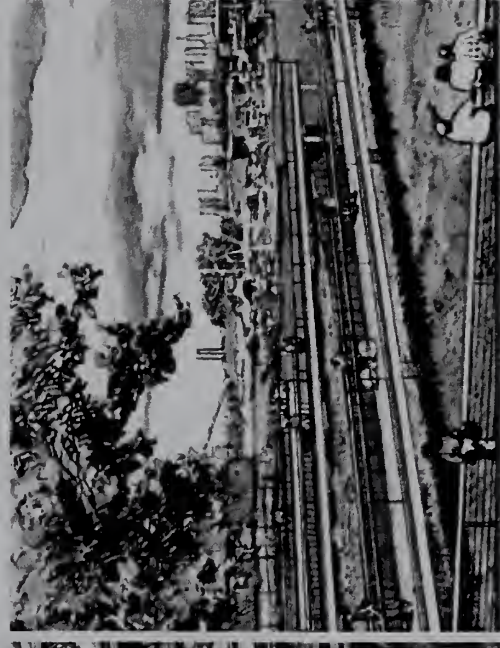


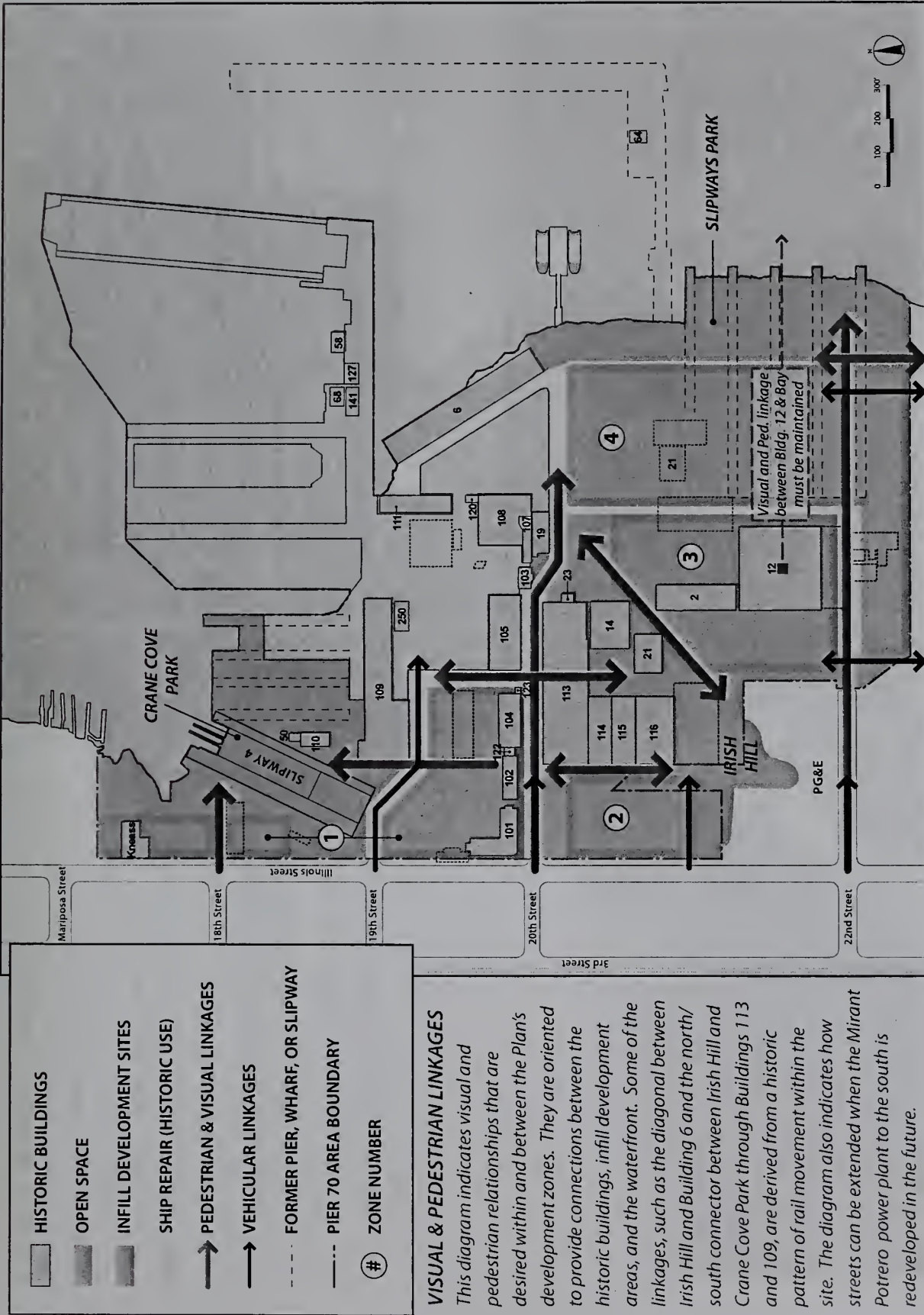
OPEN SPACE AND PUBLIC ACCESS

Open Space and Public Access Objectives:

1. Create public open spaces that attract a diverse spectrum of users and establish a sense of identity and focus for new development at Pier 70 that is sensitive to ship repair operations.
2. Develop a diverse network and program of parks, paths, roads, and public spaces that recognize historic passages and connect upland areas and adjacent neighborhoods to waterfront open spaces, enjoyment of the Bay, and celebrate and reveal the rich history of Pier 70
3. Integrate the Bay Trail, the Bay Water Trail, and the Blue Greenway into the design of the Pier 70 open space network, which creates an inter-connected path that links public open spaces along the shoreline, includes areas that support natural habitat for wildlife, and provides access into or on the Bay.

4. Require sensitive design and site placement of new development adjacent to the shoreline open spaces that provide comfortable sunlight access and microclimate conditions that support a high level of public enjoyment of those open spaces.
5. Use hardscape paving and materials to improve streets, pedestrian ways, and other public spaces that interface with historic resources to respect the industrial character of Pier 70, and create shoreline access wherever possible.
6. Allow ancillary structures in major open spaces to support water-oriented recreational activities and users, such as an aquatic center, boat rental and supplies, and refreshments.





FORM AND CHARACTER OF INFILL DEVELOPMENT

Infill Development Objectives:

1. Respect the district as a historic landscape that reflects the industrial shipbuilding processes, including the evolution of the Union Iron Works/Bethlehem Steel operations and ongoing ship repair activity.
2. Showcase the historic district's resources, industrial heritage, landscape features, and waterfront location.
3. Develop a pattern that reflects the unique building and open space relationships that are characteristic of the historic district.

4. Allow for architectural diversity that is compatible with the historic character of the district. Add new architecture that complements the surrounding resources and promotes activity in the area.
5. Encourage the design of buildings and open spaces that not only responds to Pier 70's historic qualities but also strengthens connections to Dogpatch and Potrero Hill neighborhoods.
6. Encourage public access and views to the waterfront and connect shoreline parks and promenades with proposed open spaces that are integrated with development.



TRANSIT, CIRCULATION, AND PARKING

Transit, Circulation and Parking Objectives:

1. Increase public transit service by providing ferry and shuttle connections between Pier 70, Mission Bay, and other public transit hubs.
2. Extend 19th Street access to ensure continued reliable maritime industrial access to the shipyard. Rerouting truck traffic will enable 20th Street to be improved as a pedestrian-oriented gateway to Pier 70 and as a vibrant hub of cultural, commercial, and entertainment activity.
3. Establish a street system within Pier 70 that connects with the existing city street grid from the Dogpatch and Potrero Hill neighborhoods, while interfacing with Pier 70's network of historic rail spurs, pathways, and internal access routes.

4. Create walkable and bikeable streets.
5. Introduce a network of pedestrian ways integrated with new development.
6. Locate and manage parking facilities to promote shared use operated on a market-rate pricing basis, consistent with smart growth objectives.

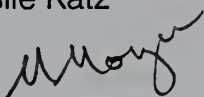




MEMORANDUM

September 20, 2012

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz

FROM: Monique Moyer 
Executive Director

SUBJECT: Request approval of a Final Mitigated Negative Declaration and Addendum, and the Jefferson Street, Phase 1 Project, authorizing the Department of Public Works (DPW) to construct the street and sidewalks of a two block section of Jefferson Street, between Jones and Hyde Streets; the relocation of one JC Decaux advertising kiosk; and agreements with DPW and Municipal Transportation Agency as necessary to carry out tree removal permitting, and changes to on-street parking and traffic regulations on Jefferson Street between Powell and Hyde Streets

DIRECTOR'S RECOMMENDATION: Approve attached Resolution

Executive Summary

Port staff seeks Port Commission approval for the construction of the first phase of improvements to two blocks of Jefferson Street, between Jones and Hyde Streets, as described in detail below and referred to as the Jefferson Street Phase 1 Project (the "Project"). These improvements will (1) create a desirable pedestrian experience; (2) provide for balanced access by all transportation modes; and (3) enhance the appearance and business climate in Fisherman's Wharf. The City, through Mayor Edwin M. Lee and the Board of Supervisors, has made available \$5 million to implement this Project. The desired schedule is to complete construction of the Project by the San Francisco Department of Public Works by June 2013, in time for the 34th America's Cup events.

THIS PRINT COVERS CALENDAR ITEM NO. 9C

Port staff seeks approval of Resolution 12- 73 to secure the following:

- 1) Review and adopt the Project's Final Mitigated Negative Declaration ("Negative Declaration") and Addendum to the Negative Declaration for the Jefferson Street Public Realm Plan (of which the Project is a part), including required mitigation measures, and a mitigation monitoring and reporting program in Attachment 1 of the attached Resolution, which satisfies environmental review requirements for the Project, pursuant to the California Environmental Quality Act (CEQA);
- 2) Approve the Jefferson Street Improvement Project, Phase 1, which implements a portion of the Jefferson Street Public Realm Plan for the blocks between Jones and Hyde Streets, as described in this staff report and depicted in attached Exhibits A and B;
- 3) Authorize the Executive Director to enter in an agreement with the San Francisco Department of Public Works (DPW) to administer a tree removal permit process for this Project, and agreements as may be needed with the Municipal Transportation Agency (MTA) for this Project to remove on-street parking, and allow two-way traffic on Jefferson Street between Powell and Hyde Streets; and
- 4) Approve the relocation of a J.C. Decaux kiosk near Hyde Street for this Project.

This report provides further details on the planning process for this Project as well as project implementation requirements.



The Jefferson Street project is located in Fisherman's Wharf between Powell and Hyde Streets.

Background

On March 27, 2012, Port staff provided an informational presentation on the Jefferson Street Public Realm Plan, an initiative of the San Francisco Planning Department, for the improvement of the spine and commercial center of Fisherman's Wharf. The Planning Department worked with the Fisherman's Wharf Community Benefit District ("CBD") to complete the Fisherman's Wharf Public Realm Plan in 2010. This Plan lays the groundwork for the redesign of Jefferson Street to improve its appearance and provide more space to better support tourists and pedestrians attracted to the Wharf.

On the basis of that work, the Planning Department, with the support of the Municipal Transportation Agency (MTA), Port and CBD, developed a new design for Jefferson Street, between Powell and Hyde Streets, which provide for two-way travel. The design provides one lane in each direction to accommodate slow-moving vehicles shared with bicyclists, and widened sidewalks to improve and enhance pedestrian circulation. This would be accomplished by modifying the current 37 foot curb-to-curb street, by removing parking from both sides, and narrow the roadway to 24 feet. Proposed materials and finishes include either concrete paving or concrete paving blocks in the 24 foot roadway, "Embarcadero Promenade" grey concrete on both sidewalks, and new light fixtures and street furnishings.

The improvements include the removal of on-street parking to create a desirable pedestrian experience, provide for balanced access by all transportation modes, and enhance the appearance and business climate in Fisherman's Wharf. Further details of the design and community planning work are described in a Port staff memorandum, dated March 22, 2012, which is incorporated by reference.

Jefferson Street, Phase 1 Project

The City has \$5,000,000 available to fund the design and construction of a first phase, to improve the two blocks of Jefferson Street between Jones and Hyde Streets. The construction work would be implemented by DPW. The goal is to have construction of the Project completed by June 2013, in time for the 34th America's Cup events. The street would have one lane in each direction, shared by both motor vehicles and bicycles. The F-Line would not be affected because there are no tracks in the two-block segment of Jefferson Street affected by the Project. The south curb would be reconstructed in the same location as exists, and the north sidewalk width (closest to the Bay) would increase by 13 feet. This would allow the north sidewalk space between Jones and Hyde Streets now used for combined sidewalk and café use to be reevaluated by the Port and tenants for dedicated space for café dining and still provide generous 15-foot wide pedestrian walkway area. Loading would occur adjacent to the curb with passing vehicles slowly maneuvering around those loading, and a widened pullout area would be located in front of the Argonaut Hotel for loading. The Project is shown in Exhibits A and B.

In introducing two-way travel along Jefferson, the Planning Department determined that westbound vehicle access coming from The Embarcadero, between Powell and Mason Streets, would need to be managed during peak visitor periods to manage vehicle and

pedestrian volumes. The Planning Department, Port and CBD held meetings with area businesses, including the Fisherman's Wharf Restaurant Association on July 13 and July 31, 2012 and developed a traffic monitoring program to address the transportation and business needs of the area, and track the effectiveness of traffic control measures. The initial traffic controls will occur 12pm to 6pm on weekends during the months of June through August. The CBD will provide funding for MTA Parking Control Officers (PCOs) to be located at Taylor and Jefferson Streets, and Powell and Jefferson Streets. Traffic and circulation conditions will be monitored and reviewed by DPW, MTA, Port and Planning Department, and the CBD to evaluate the effectiveness, and to make adjustments as may be determined prudent.

The Project has strong community support and is moving into the construction phase. DPW has prepared construction drawings and will manage the construction of the Project. DPW has advertised the Project for bid, with bids expected in early October. The construction schedule requires utility work to begin in mid-October, with roadway construction to begin in mid-November. The Port will issue an encroachment permit for the Project, coordinate with the City to address construction period issues that may arise, including communications with Port tenants during the construction period. Port staff also seeks authorization to enter into agreements with MTA as may be required to change traffic and parking regulations consistent with implementing the Project.

Tree Removal

The construction work includes the need to address street trees. There are currently 25 street trees located on the south side of Jefferson Street between Jones and Hyde Streets, within Port jurisdiction. In an earlier version of the plan, all were proposed for removal. During the public review process the trees were posted for removal and an individual appealed the proposed removal, requesting a DPW Administrative Hearing. Based on broad public concerns about the trees, DPW responded with a revised plan where three trees would be removed to make way for a loading area adjacent to Hyde Street and one for a light pole, and the remaining 21 trees would be retained or replaced with new trees. The revised street tree plan was supported by the appellant and Port staff, and is now part of the Project. Because the trees are located within Port jurisdictional boundaries, Port staff seeks Port Commission authorization to allow DPW to manage the tree removal permitting process for this Project, including any appeals challenging the removal or replacement of trees, consistent with the City's Public Works Code. Therefore, Port staff requests that the Port Commission authorize Port staff to enter into an agreement with DPW, allowing DPW to administer and implement the street tree work, and any related administrative appeals procedures.

JC Decaux Kiosk Relocation

The Project also would require the relocation of a JC Decaux advertising kiosk, from the south sidewalk of the 400 block of Jefferson Street, between Leavenworth and Hyde Streets, across the street to the north sidewalk of that block, which is 27 feet wide. The kiosk is 14'4" tall and 5'5" in diameter. Pursuant to the existing JC Decaux contract, the Port Commission must review and approve locations of new or relocated public toilets and kiosks within its jurisdiction. Under the contract, JC Decaux maintains the self-cleaning public toilets and public service kiosks, and the Port is entitled to a percentage of the advertising revenue generated by the public toilets and kiosks. JC Decaux

agrees to this relocation and, pursuant to their contract, will bear the full costs of removal, including obtaining a Port encroachment permit. Port staff seeks authorization to relocate this kiosk.

Street Artist Relocation

The Project would require the relocation of up to nine (9) existing street artist locations along Jefferson Street between Hyde and Jones. Pursuant to Resolution 95-56 the Port Commission must approve new or relocated locations within its jurisdiction or designate its Executive Director to do so. Port staff is actively working with Street Artist Program Director and DPW Project Manager to identify temporary alternative locations on or off Port property.

Environmental Review

On August 30, 2011 the San Francisco Planning Department, Environmental Planning Division, issued a Negative Declaration (Case No. 2010. 0256E) for the Fisherman's Wharf Public Realm Plan (of which this Project is a part), which includes required mitigation measures. On September 20, 2012, the Planning Department issued an Addendum to the Negative Declaration. The Negative Declaration and Addendum are on file with the Secretary of the Port Commission. The Addendum covers the modified changes to the Plan. That document concluded that the improvement and redesign of Jefferson Street as currently proposed and reflected in the Project, with required mitigation measures, will have no significant impact on the environment. Port staff recommends approval of the mitigation monitoring and reporting program, which is presented in Attachment 1 to the attached Resolution.

Revenue Impacts

The Jefferson Street, Phase I Project, would remove 33 metered parking spaces resulting in an estimated total annual meter and fine revenue loss of \$218,000. This analysis does not include any short term revenue losses which could result from disruptions to tenant operations during construction.

In order to make up the lost parking and fine revenue of \$218,000 the Port would need to realize a 2.9 percent increase in percentage sales revenue in the Fisherman's Wharf area (excluding Pier 39).

Recommendation

Port staff supports the Jefferson Street, Phase 1 Project, improving the segment of Jefferson Street between Jones and Hyde Streets, and seeks Port Commission approval of the attached Resolution, which would authorize the following:

- 1) Review and adopt the Negative Declaration and Addendum, including implementation of required mitigation measures in Attachment 1 to the attached Resolution, which satisfies environmental review requirements for the Project, pursuant to the CEQA;

2) Approve the Jefferson Street, Phase 1 Project, as described in this staff report and depicted in attached Exhibits A and B;

3) Authorize the Executive Director to enter in an agreement with DPW to administer its tree removal permit process, including any related administrative appeals for this Project, and further agreements as may be needed with MTA for this Project to remove on-street parking, and allow two-way traffic on Jefferson Street between Powell and Hyde Streets.

4) Approve the relocation of a J.C. Decaux advertising kiosk near Hyde Street for this project.

Prepared by: Dan Hodapp
Senior Waterfront Planner

For: Byron Rhett
Deputy Director, Planning & Development
Susan Reynolds
Deputy Director, Real Estate

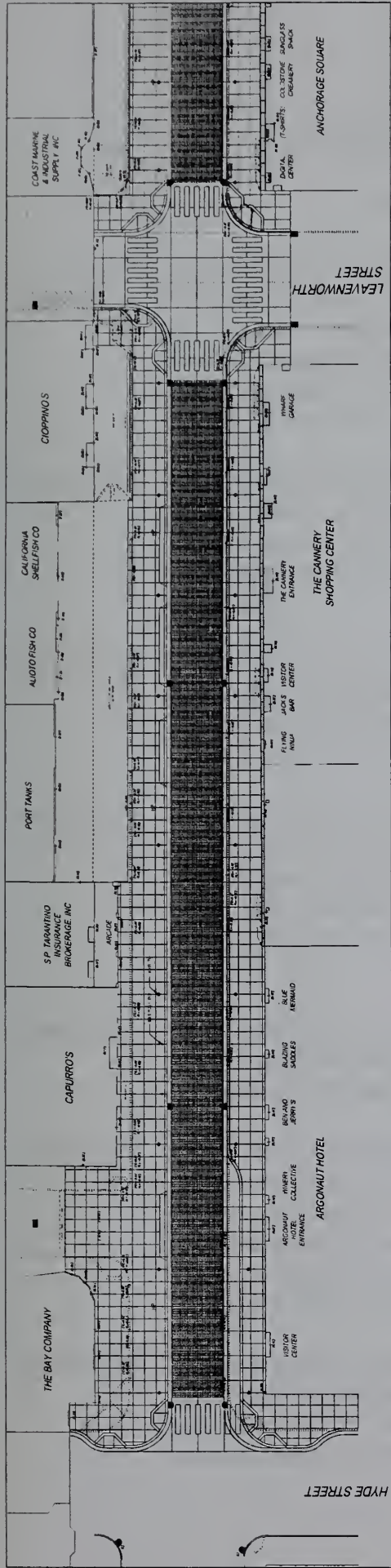
Exhibit A: Jefferson Street Proposed Design

Exhibit B: Jefferson Street Streetscape Redesign

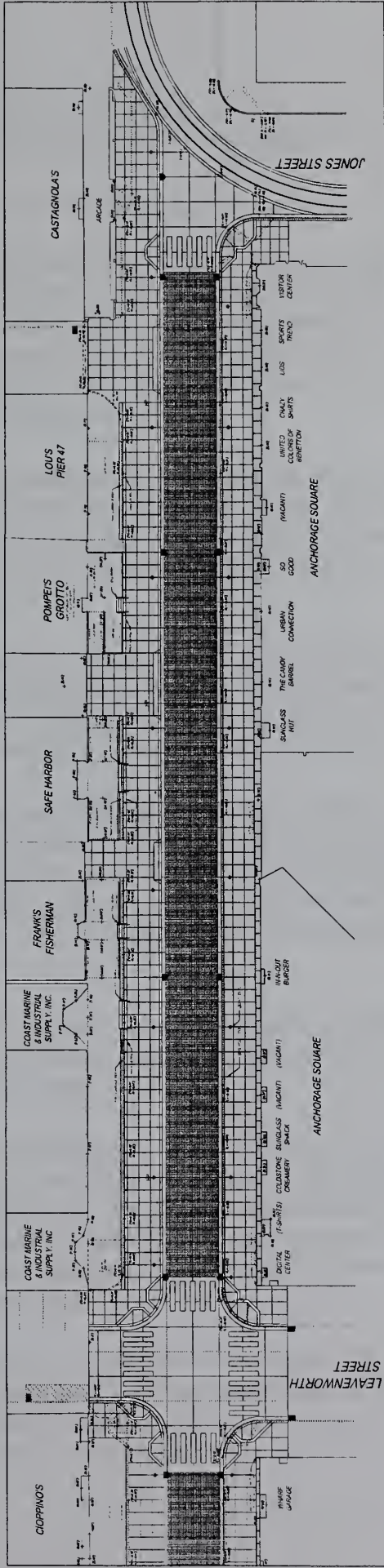


JEFFERSON STREET PROPOSED DESIGN

TYPICAL STREET SECTION - LOOKING WEST FROM JONES STREET



West Side, Hyde to Leavenworth



East Side, Leavenworth to Jones

PHASE 1 IMPROVEMENT PLAN
Jefferson Street Streetscape Redesign

Prepared for The City of San Francisco by ROMMA Design Group

AUGUST 16, 2012

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 12-73

- WHEREAS, In 2010, the San Francisco Planning Department completed the Fisherman's Wharf Public Realm Plan, which provided the groundwork for the proposed redesign of Jefferson Street from Powell to Hyde Streets, to create a desirable pedestrian experience, provide for balanced access by all transportation modes, and enhance the appearance and business climate in Fisherman's Wharf; and
- WHEREAS, The City has made funds available to carry out the first phase of improvements to Jefferson Street ("Jefferson Street, Phase 1 Project" or "Project"), to reconstruct the two blocks of Jefferson Street from Jones to Hyde Streets by June 2013, in time for the 34th America's Cup sailing races; and
- WHEREAS, The Port has coordinated this City effort with other agencies, including Municipal Transportation Agency (MTA) and Department of Public Works (DPW), as well as the Planning Department, as Jefferson Street is located within the Port of San Francisco jurisdictional area; and
- WHEREAS, On August 30, 2011, the San Francisco Planning Department, Environmental Planning Division, issued a Final Mitigated Negative Declaration ("Negative Declaration", Case No. 2010. 0256E) for the Fisherman's Wharf Public Realm Plan (of which the Project is a part), pursuant to requirements under the California Environmental Quality Act (CEQA); and
- WHEREAS, On September 20, 2012, the San Francisco Planning Department Environmental Planning Division, issued an Addendum to the Negative Declaration ("Addendum"); and
- WHEREAS, The Project improvements between Jones and Hyde Street would be enhanced by relocating an existing J.C. Decaux advertising kiosk located on the 400 block of Jefferson Street to the north side of the street approximately 60 feet east of Hyde Street, which would meet the placement guidelines for kiosks on public property referenced in the City contract with J.C. Decaux; and
- WHEREAS, The proposed relocation site for the Jefferson Street kiosk is agreeable to J.C. Decaux San Francisco Inc., who agrees to pay for all relocation costs including the Port encroachment permit fee pursuant to J.C. Decaux's contract with the City; now, therefore, be it

WHEREAS, The Project will require a temporary suspension of up to nine (9) existing street artist locations along Jefferson Street between Hyde and Jones; and

WHEREAS, The Port Commission, through its Executive Director, shall be authorized to temporarily suspend the existing street artist locations along Jefferson Street as required to accommodate the construction of the Project and designate alternative street artist locations, where reasonably possible, and at her discretion within Port Property; now, therefore, be it

RESOLVED, The Port Commission reviewed and considered the Negative Declaration and Addendum and found that the contents of said report and the procedures through which the FMND was prepared, publicized, and reviewed complied with the California Environmental Quality Act (California Public Resources Code Sections 21000 et seq.) (CEQA), 14 California Code of Regulations Sections 15000 et seq. (the "CEQA Guidelines") and Chapter 31 of the San Francisco Administrative Code ("Chapter 31"). The Port Commission found the FMND and Addendum were adequate, accurate and objective, reflected the independent analysis and judgment of the Planning Department and Port Commission, and approved the FMND for the Project in compliance with CEQA, the CEQA Guidelines and Chapter 31. The Planning Commission Secretary is the custodian of records for the Planning Department, and such records are located in the File for Case No. 2010.0256E, at 1650 Mission Street, Fourth Floor, San Francisco, California. The Port Commission Secretary is the custodian of records for the Port of San Francisco, and such records are located in the Port's office at Pier 1, San Francisco, California. The Planning Department staff prepared a Mitigation Monitoring and Reporting program, which material was made available to the public and the Port Commission for its review, consideration, and action, and is contained in Attachment 1 to the Resolution; and be it further

RESOLVED, This Port Commission hereby further finds and determines in that since the issuance of the Addendum, (a) there have been no substantial Project changes and no substantial changes in Project circumstances that would require major revisions to the Negative Declaration or Addendum due to the involvement of new significant environmental effects or an increase in the severity of previously identified impacts, and , and (b) there is no new information of substantial importance that would change the conclusions of the Negative Declaration or Addendum, and be it further

RESOLVED, The Port Commission has reviewed and considered reports, studies, plans, and other documents pertaining to the Project, and has heard and considered public input on the Project, and be it further

RESOLVED, That the San Francisco Port Commission hereby approves the construction of the Project affecting Jefferson Street between Jones and Hyde Streets, as shown in Exhibits A and B of the staff memorandum

accompanying this Resolution, and authorizes the Executive Director or her designee to coordinate with DPW and take such further action as may be required to implement these improvements, including entering into an agreement with DPW to administer its permit process to remove or replace street trees, including any related administrative appeals as necessary to carry out the Project improvements, and be it further

RESOLVED, That the Executive Director or her designee is authorized to enter into agreements as may be needed with the Municipal Transportation Agency (MTA) for this Project to implement regulations to remove on-street parking, and allow two-way traffic on Jefferson Street between Powell and Hyde Streets, and be it further

RESOLVED, That the San Francisco Port Commission hereby approves the relocation of the JC Decaux San Francisco Inc. Kiosk located on the 400 block of Jefferson Street to the northeast corner of Jefferson and Hyde Streets, approximately 60 feet east of Hyde Street, and be it further

RESOLVED, That the Executive Director or her designee is authorized to temporarily suspend existing Street Artist locations along Jefferson Street between Hyde and Jones and enter into alternative locations, where reasonably possible, and in her discretion within Port property, and be it further

RESOLVED, That the Port will continue to work with the Fisherman's Wharf Community Business District, Fisherman's Wharf Restaurant Association, DPW, MTA and the San Francisco Planning Department to monitor and manage transportation circulation conditions and traffic control measures to benefit Jefferson Street.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of September 25, 2012.

Secretary

ATTACHMENT 1

Mitigation Measures Certified in Final Amended MND, (Case No. 2010.0256E)

MITIGATION MEASURE MONITORING AND REPORTING PROGRAM - JEFFERSON STREET PROJECT,			
Responsibility for Implementation	Mitigation Schedule	Mitigation Action	Monitoring/Reporting Responsibility
		Monitoring Schedule	

CULTURAL AND PALEONTOLOGICAL RESOURCES

Mitigation Measure CP-1: Secretary of the Interior's Standards for the Treatment of Historic Properties, Aquatic Park National Historic Landmark District and Cultural Landscape.

Because the project being approved at this time deals only with specific streetscape improvement projects and associated improvements, none of which are located in the Aquatic Park National Historic Landmark District, this mitigation measure is not applicable to these findings.

Mitigation Measure CP-1a: Secretary of the Interior's Standards for the Treatment of Historic Properties, Port of San Francisco Embarcadero Historic District.

Because the project being approved at this time deals only with specific streetscape improvement projects and associated improvements, none of which are located in the Port of San Francisco Embarcadero Historic District, this mitigation measure is not applicable to these findings.

Mitigation Measure CP-2 – Archeological Monitoring:

Based on the reasonable potential that archeological resources may be present within the project site, the following measures shall be undertaken to avoid any potentially significant adverse effect from the proposed project on buried or submerged historical resources.

The project sponsor shall retain the services of an archaeological consultant from the pool of qualified archaeological consultants maintained by the Planning Department archaeologist. The archaeological consultant shall undertake an archeological monitoring program. All plans and reports prepared by the consultant as specified herein shall be submitted first and directly to the ERO for review and comment, and shall be considered draft reports subject to revision until final approval by the ERO. Archeological monitoring and/or data recovery programs required by this measure could suspend construction of the project for up to a maximum of four weeks. At the direction of the ERO, the suspension of construction can be extended beyond four weeks only if such a suspension is the only feasible means to reduce to a less than significant level potential effects on a significant archeological resource as defined in CEQA Guidelines Sect. 15064.5 (a)(c).

San Francisco Department of Public Works (DPW)	Retain services of an archaeological consultant	Archeological monitoring program	Plans and reports to be submitted to the Environmental Review Officer (ERO) for review, comment, and final approval
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Archeological monitoring plan (AMP). The archeological monitoring program shall minimally include the following provisions:

ATTACHMENT 1

Mitigation Measures Certified in Final Amended MND, (Case No. 2010.0256E)

MITIGATION MEASURE MONITORING AND REPORTING PROGRAM - JEFFERSON STREET PROJECT.

Responsibility for Implementation	Mitigation Schedule	Mitigation Action	Monitoring/Reporting Responsibility	Monitoring Schedule
<ul style="list-style-type: none"> The archeological consultant, project sponsor, and ERO shall meet and consult on the scope of the AMP reasonably prior to any project-related soils disturbing activities commencing. The ERO in consultation with the project archeologist shall determine what project activities shall be archeologically monitored. In most cases, any soils disturbing activities, such as demolition, foundation removal, excavation, grading, utilities installation, foundation work, driving of piles (foundation, shoring, etc.), site remediation, etc., shall require archeological monitoring because of the potential risk these activities pose to archaeological resources and to their depositional context; The archeological consultant shall advise all project contractors to be on the alert for evidence of the presence of the expected resource(s), of how to identify the evidence of the expected resource(s), and of the appropriate protocol in the event of apparent discovery of an archeological resource; The archaeological monitor(s) shall be present on the project site according to a schedule agreed upon by the archeological consultant and the ERO until the ERO has, in consultation with the archeological consultant, determined that project construction activities could have no effects on significant archeological deposits; The archeological monitor shall record and be authorized to Archeological collect soil samples and artifactual/ecofactual material as warranted for analysis; 	<p>Archeological consultant, project sponsor, and ERO</p>	<p>Prior to any soil disturbing activities</p> <p>Consult on scope of Archeological Monitoring Plan (AMP)</p> <p>Prior to any soil disturbing activities</p> <p>Advise project contractors regarding archeological protocols</p> <p>Archeological consultant</p> <p>Archeological consultant, ERO</p>	<p>ERO and project archeologist to determine what project activities will be archeologically monitored</p>	<p>Prior to any soil disturbing activities</p> <p>Regularly scheduled from start of construction activities until deemed unnecessary by the ERO</p> <p>Regularly scheduled from start of construction activities until deemed unnecessary by the ERO</p>

ATTACHMENT 1

Mitigation Measures Certified in Final Amended MND, (Case No. 2010.0256E)

MITIGATION MEASURE MONITORING AND REPORTING PROGRAM - JEFFERSON STREET PROJECT.

Mitigation Measures Certified in Final Amended MND, (Case No. 2010.0256E)	MITIGATION MEASURE MONITORING AND REPORTING PROGRAM - JEFFERSON STREET PROJECT.			
	Responsibility for Implementation	Mitigation Schedule	Mitigation Action	Monitoring/Reporting Responsibility
<ul style="list-style-type: none"> If an intact archeological deposit is encountered, all soils disturbing activities in the vicinity of the deposit shall cease. The archeological monitor shall be empowered to temporarily redirect demolition/excavation/pile driving/construction crews and heavy equipment until the deposit is evaluated. If in the case of pile driving activity (foundation, shoring, etc.), the archeological monitor has cause to believe that the pile driving activity may affect an archeological resource, the pile driving activity shall be terminated until an appropriate evaluation of the resource has been made in consultation with the ERO. The archeological consultant shall immediately notify the ERO of the encountered archeological deposit. The archeological consultant shall, after making a reasonable effort to assess the identity, integrity, and significance of the encountered archeological deposit, present the findings of this assessment to the ERO. 	Project contractor, architectural consultant	In case of discovery of intact archeological deposit	Cease all soils disturbing activity; evaluate archeological deposit and present findings	Notify ERO of discovery
<p>If the ERO in consultation with the archeological consultant determines that a significant archeological resource is present and that the resource could be adversely affected by the proposed project, at the discretion of the project sponsor either:</p> <p>C) The proposed project shall be re-designed so as to avoid any adverse effect on the significant archeological resource; or</p> <p>D) An archeological data recovery program shall be implemented, unless the ERO determines that the archeological resource is of greater interpretive than research significance and that interpretive use of the resource is feasible.</p>	DPW and Project contractor	If ERO determines significant archeological resource is present	Redesign proposed project; OR implement archeological data recovery program	ERO to determine interpretive and/or research significance of resource

ATTACHMENT I

Mitigation Measures Certified in Final Amended MND, (Case No. 2010.0256E)

MITIGATION MEASURE MONITORING AND REPORTING PROGRAM - JEFFERSON STREET PROJECT.

Responsibility for Implementation	Mitigation Schedule	Mitigation Action	Monitoring/Reporting Responsibility	Monitoring Schedule
<p>If an archeological data recovery program is required by the ERO, the archeological data recovery program shall be conducted in accord with an archeological data recovery plan (ADRP). The project archeological consultant, project sponsor, and ERO shall meet and consult on the scope of the ADRP. The archeological consultant shall prepare a draft ADRP that shall be submitted to the ERO for review and approval. The ADRP shall identify how the proposed data recovery program will preserve the significant information the archeological resource is expected to contain. That is, the ADRP will identify what scientific/historical research questions are applicable to the expected resource, what data classes the resource is expected to possess, and how the expected data classes would address the applicable research questions. Data recovery, in general, should be limited to the portions of the historical property that could be adversely affected by the proposed project. Destructive data recovery methods shall not be applied to portions of the archeological resources if nondestructive methods are</p>	<p>If archeological data recovery program is required</p>	<p>Consult on scope of Archeological Data Recovery Plan (ADRP); archeological consultant to prepare draft ADRP</p>	<p>ERO to review and approve ADRP</p>	
<p>The scope of the ADRP shall include the following elements:</p>				
<p><i>Field Methods and Procedures</i> . Descriptions of proposed field strategies, procedures, and operations.</p>				
<p><i>Cataloguing and Laboratory Analysis</i> . Description of selected cataloguing system and artifact analysis procedures.</p>				
<p><i>Discard and Deaccession Policy</i> . Description of and rationale for field and post-field discard and deaccession policies.</p>				
<p><i>Interpretive Program</i> . Consideration of an on-site/off-site public interpretive program during the course of the archeological data recovery program.</p>				
<p><i>Security Measures</i> . Recommended security measures to protect the archeological resource from vandalism, looting, and non-intentionally damaging activities.</p>				
<p><i>Final Report</i> . Description of proposed report format and distribution of results.</p>				
<p><i>Curation</i> . Description of the procedures and recommendations for the curation of any recovered data having potential research value, identification of appropriate curation facilities, and a summary of the accession policies of the curation facilities.</p>				

ATTACHMENT 1

Mitigation Measures Certified in Final Amended MND, (Case No. 2010-0256E)

MITIGATION MEASURE MONITORING AND REPORTING PROGRAM - JEFFERSON STREET PROJECT.

Responsibility for Implementation	Mitigation Schedule	Mitigation Action	Monitoring/Reporting Responsibility	Monitoring Schedule
<p><i>Final Archeological Resources Report</i>. The archeological consultant shall submit a Draft Final Archeological Resources Report (FARR) to the ERO that evaluates the historical significance of any discovered archeological resource and describes the archeological and historical research methods employed in the archeological testing/monitoring/data recovery program(s) undertaken. Information that may put at risk any archeological resource shall be provided in a separate removable insert within the draft final report</p> <p>Copies of the Draft FARR shall be sent to the ERO for review and approval. Once approved by the ERO copies of the FARR shall be distributed as follows: California Archaeological Site Survey Northwest Information Center (NWIC) shall receive one (1) copy and the ERO shall receive a copy of the transmittal of the FARR to the NWIC. The Major Environmental Analysis division of the Planning Department shall receive three copies of the FARR along with copies of any formal site recordation forms (CA DPR 523 series) and/or documentation for nomination to the National Register of Historic Places/California Register of Historical Resources. In instances of high public interest or interpretive value, the ERO may require a different final report content, format, and distribution than that presented above</p>	<p>Following completion of any required archeological field program</p> <p>Following approval of final FARR</p>	<p>Submit Draft Final Archeological Resources Report (FARR)</p> <p>Distribution of final FARR</p>	<p>ERO to review and approve FARR</p> <p>Project sponsor, archaeologist and ERO activities</p>	<p>Prior to any soil disturbing activities</p> <p>Prior to any soil disturbing activities</p>
<p>Mitigation Measure CP-3 - Accidental Discovery of Archeological Resource:</p> <p>The following mitigation measure is required to avoid any potential adverse effect from the proposed project on accidentally discovered buried or submerged historical resources as defined in <i>CEQA Guidelines</i> Section 15064.5(a)(c). The project sponsor shall distribute the Planning Department archeological resource "ALERT" sheet to the project prime contractor; to any project subcontractor (including demolition, excavation, grading, foundation, pile driving, etc. firms); or utilities firm involved in soils disturbing activities within the project site. Prior to any soils disturbing activities being undertaken each contractor is responsible for ensuring that the "ALERT" sheet is circulated to all field personnel including machine operators, field crew, pile drivers.</p>	<p>Project sponsor</p>	<p>Distribute Planning Department Archeological Resource "ALERT" sheet to Prime Contractor, subcontractors, and utilities firms</p>	<p>Project sponsor, archaeologist and ERO activities</p>	<p>Prior to any soil disturbing activities</p>

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MITIGATION MEASURE MONITORING AND REPORTING PROGRAM - JEFFERSON STREET PROJECT.

Responsibility for Implementation	Mitigation Schedule	Mitigation Action	Monitoring/Reporting Responsibility	Monitoring Schedule
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supervisory personnel, etc. The project sponsor shall provide the Environmental Review Officer (ERO) with a signed affidavit from the responsible parties (prime contractor, subcontractor(s), and utilities firm) to the ERO confirming that all field personnel have been trained in the proper use of the Alert System.

Project sponsor

Submit signed affidavit of distribution to ERO "ALERT" sheet but prior to any soils disturbing activities

Should any indication of an archeological resource be encountered during any soils disturbing activity of the project, the project Head Foreman and/or project sponsor shall immediately notify the ERO and shall immediately suspend any soils disturbing activities in the vicinity of the discovery until the ERO has determined what additional measures should be undertaken.

Head foreman and/or project sponsor

Suspend and soils disturbing activity

Notify ERO of accidental discovery

If the ERO determines that an archeological resource may be present within the project site, the project sponsor shall retain the services of an archaeological consultant from the pool of qualified archaeological consultants maintained by the Planning Department archaeologist. The archeological consultant shall advise the ERO as to whether the discovery is an archeological resource, retains sufficient integrity, and is of potential scientific/historical/cultural significance. If an archeological resource is present, the archeological consultant shall identify and evaluate the archeological resource. The archeological consultant shall make a recommendation as to what action, if any, is warranted. Based on this information, the ERO may require, if warranted, specific additional measures to be implemented by the project sponsor.

Project sponsor

If ERO determines and archeological resource may be present, services of a qualified archeological consultant to be retained

In case of accidental discovery

Identify and evaluate archeological resources

Make recommendation to ERO

DPW

After determination by the ERO of appropriate action to be implemented following evaluation of accidental discovery

Implementation of Archeological measure required by ERO

Measures might include: preservation in situ of the archeological resource; an archaeological monitoring program; or an archeological testing program. If an archeological monitoring program or archeological testing program is required, it shall be consistent with the Major Environmental Analysis (MEA) division guidelines for such programs. The ERO may also require that the project sponsor immediately implement a site security program if the archeological resource is at risk from vandalism, looting, or other damaging actions.

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MITIGATION MEASURE MONITORING AND REPORTING PROGRAM - JEFFERSON STREET PROJECT.

Responsibility for Implementation Mitigation Schedule Mitigation Action Monitoring/Reporting Responsibility Monitoring Schedule

<p>The project archeological consultant shall submit a Final Archeological Resources Report (FARR) to the ERO that evaluates the historical significance of any discovered archeological resource and describing the archeological and historical research methods employed in the archeological monitoring/data recovery program(s) undertaken. Information that may put at risk any archeological resource shall be provided in a separate removable insert within the final report</p>	DPW	Following completion of any required archeological field program	Submittal of draft/final FARR to ERO	ERO to review and approve FARR	
<p>Copies of the Draft FARR shall be sent to the ERO for review and approval. Once approved by the ERO, copies of the FARR shall be distributed as follows: California Archaeological Site Survey Northwest Information Center (NWIC) shall receive one (1) copy and the ERO shall receive a copy of the transmittal of the FARR to the NWIC. The Major Environmental Analysis division of the Planning Department shall receive three copies of the FARR along with copies of any formal site recordation forms (CA DPR 523 series) and/or documentation for nomination to the National Register of Historic Places/California Register of Historical Resources. In instances of high public interest or interpretive value, the ERO may require a different final report content, format, and distribution than that presented above.</p>	DPW	Following approval of FARR	Distribution of final FARR		

Mitigation Measure CP- 4 – Discovery of Human Remains:

ATTACHMENT 1

Mitigation Measures Certified in Final Amended MND, (Case No. 2010.0256E)

MITIGATION MEASURE MONITORING AND REPORTING PROGRAM - JEFFERSON STREET PROJECT.

	Responsibility for Implementation	Mitigation Schedule	Mitigation Action	Monitoring/Reporting	
				Responsibility	Monitoring Schedule

The treatment of human remains and of associated or unassociated funerary objects discovered during any soils disturbing activity shall comply with applicable State and Federal Laws, including immediate notification of the Coroner of the City and County of San Francisco and in the event of the Coroner's determination that the human remains are Native American remains, notification of the California State Native American Heritage Commission (NAHC) who shall appoint a Most Likely Descendant (MLD) (Pub. Res. Code Sec. 5097.98). The archeological consultant, project sponsor, and MLD shall make all reasonable efforts to develop an agreement for the treatment of, with appropriate dignity, human remains and associated or unassociated funerary objects (CEQA Guidelines, Sec. 15064.5(d)). The agreement should take into consideration the appropriate excavation, removal, recordation, analysis, curation, possession, and final disposition of the human remains and associated or unassociated funerary objects. The archeological consultant shall submit to the ERO for review and approval a treatment plan for Non-Native American human remains if such remains are encountered. Non-Native American human remains may have significant scientific value with respect to understanding past dietary, labor, recreational, and health-related practices and of 19th century pathologies and epidemiology.

TRANSPORTATION AND CIRCULATION

to be added from Transportation Addendum to the MND

AIR QUALITY

Mitigation Measure AQ-3: Phased Implementation of Streetscape and Open Space

DPW and archeological consultant; coronor; Most Likely Descendant, if applicable

During archeological field program

Archeological monitor to notify coroner and, if appropriate, NAHC, and shall provide written report of such notification to ERO

ATTACHMENT 1

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MITIGATION MEASURE MONITORING AND REPORTING PROGRAM - JEFFERSON STREET PROJECT.				
Responsibility for Implementation	Mitigation Schedule	Mitigation Action	Monitoring/Reporting Responsibility	Monitoring Schedule

Improvements: Prior to implementation of individual streetscape and open space projects, the project sponsor shall coordinate with the Major Environmental Analysis (MEA) division of the Planning Department to ensure that at no time would concurrent project-related construction activities exceed BAAQMD's average daily construction thresholds. Coordination shall include a review of any ongoing project-related construction activities. If multiple projects are anticipated to occur concurrently and have the potential to exceed BAAQMD's average daily emissions for NO_x, the Planning Department may require additional analysis of available strategies to reduce NO_x emissions to levels that are below the BAAQMD's thresholds. NO_x reduction strategies may include Tier 3 or Tier 4 construction equipment or other best available NO_x control strategies. If, after incorporating additional mitigation measures, concurrent construction activities may still exceed the BAAQMD's NO_x threshold, the project sponsor shall stop all impact-generating activities until a phasing plan demonstrating that overlapping project-related construction activities would not exceed BAAQMD's average daily thresholds is adopted and implemented.

BIOLOGICAL RESOURCES

Mitigation Measure BIO-1 – Biological Resources-Nesting Birds

ATTACHMENT 1

Mitigation Measures Certified in Final Amended MND, (Case No. 2010.0250E)

MITIGATION MEASURE MONITORING AND REPORTING PROGRAM - JEFFERSON STREET PROJECT.				
	Responsibility for Implementation	Mitigation Schedule	Mitigation Action	Monitoring/Reporting Responsibility
<p>The project sponsor shall implement the following protective measures to ensure implementation of the Migratory Bird Treaty Act and compliance with State regulations during construction. To the extent feasible, the project sponsor and/or the construction contractor(s) shall trim/remove all vegetation/tree limbs necessary for project construction between September 1 to January 31. Should construction activities or vegetation removal commence between February 1 to August 31, pre-construction surveys for nesting birds shall be conducted 14 to 21 days prior to construction activities that would result in vegetation removal. A qualified biologist shall determine if active nests of native birds are present in the construction zone. In the event an active nest is discovered in areas to be disturbed, removal of the nesting substrate shall be postponed until the nest is vacated and juveniles have fledged (typically 3-4 weeks for most small passerines), as determined by the biologist, and there is no evidence of second nesting attempts, unless a CDFG and the USFWS for migratory birds authorize otherwise. Nor surveys are required and no impact would occur if vegetation removal, grading or other heavy construction activities would occur between September 1 to January 31, outside the nesting season.</p>	DPW, Project Construction contractor	Prior to construction phase	Trim vegetation and/or conduct survey, depending on construction start date	Provide the Planning Department and the Department of Fish and Game with a monitoring report prior to construction
<p>HAZARDS AND HAZARDS MATERIALS</p> <p>Mitigation Measure HZ-1: Testing for and Handling of Contaminated Soil</p> <p><i>Step 1: Soil Testing.</i> Prior to project implementation, a consultant shall be hired to collect soil samples (borings) from areas on the site in which soil would be disturbed and test the soil samples for total lead and petroleum hydrocarbons. The consultant shall analyze the soil borings as discrete, not composite samples. The consultant shall prepare a report on the soil testing for lead and petroleum hydrocarbons that includes the results of the soil testing and a map that shows the locations of stockpiled soils from which the consultant collected the soil samples.</p>	DPW, Project Construction Contractor	Prior to soil excavation		Planning Department, in consultation with the Department of Public Health. Where a site mitigation plan is required, Project Sponsor or contractor to submit a monitoring report to DPH, with a copy to Planning Department and DBI, at end of construction.

ATTACHMENT I

Mitigation Measures Certified in Final Amended MND, (Case No. 2010.0256E)

MITIGATION MEASURE MONITORING AND REPORTING PROGRAM - JEFFERSON STREET PROJECT.			
Responsibility for Implementation	Mitigation Schedule	Mitigation Action	Monitoring/Reporting Responsibility
		Monitoring Schedule	

A report on the soil testing for lead and a fee of \$501 in the form of a check payable to the San Francisco Department of Public Health (DPH) shall be submitted to the Hazardous Waste Program, Department of Public Health, 1390 Market Street, Suite 210, San Francisco, California 94102. The fee of \$501 shall cover three hours of soil testing report review and administrative handling. If additional review is necessary, DPH shall bill the project sponsor for each additional hour of review over the first three hours, at a rate of \$167 per hour. These fees shall be charged pursuant to Section 31.47(c) of the San Francisco Administrative Code. DHP shall review the soil testing program to determine whether soils on the Plan Area are contaminated with lead or petroleum hydrocarbons at or above potentially hazardous levels.

Step 2: Preparation of Site Mitigation Plan. Prior to beginning demolition and construction work, the project sponsor shall prepare a Site Mitigation Plan (SMP). The SMP shall include a discussion of the level of lead contamination of soils on the Plan Area and mitigation measures for managing contaminated soils on the site, including but not limited to: 1) the alternatives for managing contaminated soils on the site (e.g., encapsulation, partial or complete removal, treatment, recycling for reuse, or a combination); 2) the preferred alternative for managing contaminated soils on the site and a brief justification; and 3) the specific practices to be used to handle, haul, and dispose of contaminated soils on the site. The SMP shall be submitted to the Department of Public Health (DPH) for review and approval. A copy of the SMP shall be submitted to the Planning Department to become part of the case file. Additionally, the DPH may require confirmatory samples for the Plan Area.

Step 3: Handling, Hauling, and Disposal Contaminated Soils.

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- (f) specific work practices: The construction contractor shall be alert for the presence of contaminated soils during excavation and other construction activities on the site (detected through soil odor, color, and texture and results of on-site soil testing), and shall be prepared to handle, profile (i.e., characterize), and dispose of such soils appropriately (i.e., as dictated by local, state, and federal regulations, including OSHA work practices) when such soils are encountered on the site
- (g) dust suppression: Soils exposed during excavation for site preparation and project construction activities shall be kept moist throughout the time they are exposed, both during and after work hours.
- (h) surface water runoff control: Where soils are stockpiled, visqueen shall be used to create an impermeable liner, both beneath and on top of the soils, with a berm to contain any potential surface water runoff from the soil stockpiles during inclement weather.
- (i) soils replacement: If necessary, clean fill or other suitable material(s) shall be used to bring portions of the Plan Area, where lead-contaminated soils have been excavated and removed, up to construction grade.
- (j) hauling and disposal: Contaminated soils shall be hauled off the Plan Area by waste hauling trucks appropriately certified with the State of California and adequately covered to prevent dispersion of the soils during transit, and shall be disposed of at the permitted hazardous waste disposal facility registered with the State of California.

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Responsibility for Implementation	Mitigation Schedule	Mitigation Action	Monitoring/Reporting Responsibility	Monitoring Schedule

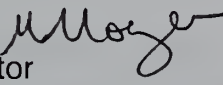
Step 4: Preparation of Closure/Certification Report. After excavation and foundation construction activities are completed, the project sponsor shall prepare and submit a closure/certification report to DPH for review and approval. The project sponsor shall submit a copy of any closure or certification report to the Department of Toxic Substances Control (DTSC) for review. DTSC review would ensure the Project's compliance with existing state and federal regulations handling hazardous materials under DTSC's jurisdictions. The closure/certification report shall include the mitigation measures in the SMP for handling and removing lead contaminated soils from the Plan Area, whether the construction contractor modified any of these mitigation measures, and how and why the construction contractor modified those mitigation measures.



MEMORANDUM

September 20, 2012

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz

FROM: Monique Moyer 
Executive Director

SUBJECT: Request authorization to issue a Request for Proposals to Rehabilitate and Re-Tenant the Pier 38 Bulkhead Building located at Delancey Street and The Embarcadero.

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

SUMMARY

On September 11, 2012, Port Commissioners inquired whether there was a way to accomplish the short-term objective to rehabilitate and re-tenant the bulkhead building as quickly as feasible, but also develop a means to determine a long-term plan for Pier 38. Port Commissioners indicated the priority of improving the appearance of the Pier 38 shed and pier commensurate with the proposed upgrades to the South Beach waterfront.

The September 5, 2012 staff report has been updated to address the Port Commission's comments. Such updates are underlined hereafter.

Port staff recommends that the reuse of the Pier 38 bulkhead building be subject to a competitive selection process to solicit a development entity to perform needed health and safety upgrades to the Pier 38 bulkhead building such that it can be re-tenanted as quickly as feasible. All respondents to the selection process will be evaluated primarily on their ability to rehabilitate and re-tenant the bulkhead building in the most expedited way.

In addition to re-tenanting proposals, respondents may submit qualifications and demonstrate their ability to undertake long-term redevelopment of Pier 38. In this case, a respondent will have to demonstrate that they have the capacity themselves or enter into a partnership that would allow for bulkhead rehabilitation and long-term redevelopment for the remaining Pier 38. Any long-term pier redevelopment proposal would have to be considered by a subsequent Port Commission action.

THIS PRINT COVERS CALENDAR ITEM NO. 9D

If the attached resolution is approved, Port staff will issue the Request for Proposal (RFP) in October 2012. Responses will be due in February 2013.

BACKGROUND

The Pier 38 structure is divided into two parts: the two story bulkhead office building fronting the Embarcadero and the pier shed extending east over the Bay which was used as break bulk storage. Starting in 1999, a portion of the shed was built-out, initially used for storage above and conceived as restaurant use (but never occupied) below, then later without permits into office spaces.

Recent Port Commission staff reports provide important Pier 38 background information including the following:

- **Pier 38 Closure:** Port Staff reported on the background regarding the eviction proceedings and site conditions that led to closure of Pier 38 in October 2011.¹
- **Pier 38 Reuse Options:** Port Staff reported on options to bring Pier 38 into Code Compliance in January 2012.²
- **Pier 38 Solicitation Options:** Port Staff reported on the trade-offs between soliciting a development entity to rehabilitate and re-tenant the Pier 38 bulkhead building only versus an entity to redevelop the entire Pier 38 on September 11, 2012.³

At the January 13, 2012 Port Commission meeting, staff presented an informational update regarding a Creegan & D'Angelo engineering study that established the maximum occupant load allowed without triggering a seismic upgrade. A seismic pier upgrade was not considered as a short-term re-tenanting option due to its high cost (i.e., in excess of approximately \$20 million).

Creegan & D'Angelo analyzed several options including: 1) creating office occupancy space (without any assembly occupancy space) within the improved areas of the first and second floors and 2) creating office space and an assembly area on the second floor within the improved area. Please refer to the attached Exhibit 1 for the respective programs, cost estimates, and floor plans.

At the September 11, 2012 Port Commission hearing, staff identified four long-term reuse options for Pier 38.⁴ Two options, the public works and the no project options, were not recommended. The other two options are discussed below.

¹ <http://www.sfport.com/modules/showdocument.aspx?documentid=2403>

² <http://www.sfport.com/modules/showdocument.aspx?documentid=3231>

³ <http://sfport.com/modules/showdocument.aspx?documentid=4638>

⁴ <http://www.sfport.com/modules/showdocument.aspx?documentid=4638>

- **The “master tenant” option** would allow a development entity to focus on the bulkhead building reconstruction and, because it would not change its use or trigger a pier seismic upgrade, would get the bulkhead building back into economic use in the most expedited way, but it would not specifically address redevelopment of the remaining pier. Because of the short-term nature, the Port would typically enter into a lease for approximately 10 years.
- **The “master developer” option** would allow a development entity to develop an overall plan to lease the entire pier, but require an initial bulkhead building phase to be accomplished. By evaluating the feasibility of the entire pier, this approach would necessitate an expensive seismic pier upgrade and a lengthy environmental review process. Because of the environmental review process, this may not be the most expeditious approach to re-tenant the bulkhead building. Because of the required investment and higher risk, the Port would typically enter into a 50-66 year lease.

Port Commissioners inquired whether there was a way to accomplish the short-term objective to rehabilitate and re-tenant the bulkhead building as quickly as feasible, but also develop a means to determine a long-term plan for Pier 38. Port Commissioners indicated the priority of improving the appearance of the Pier 38 shed and pier commensurate with the proposed upgrades to the South Beach waterfront.

Port Commissioners also inquired whether it was possible to engage two developers, one for the short-term bulkhead building repair and another for the long-term redevelopment of the remaining pier--and whether this could be practically accomplished without disrupting the bulkhead tenants.

PIER 38 PROJECT OBJECTIVES

In response to the input provided by the Port Commissioners, staff proposes to establish Project objectives for Pier 38. These include:

Project Objectives:

- Develop a competitive selection process to solicit a development entity
- Quickly repair and re-tenant the Pier 38 bulkhead building
- Generate economic activity to the South Beach area
- Allow the opportunity for re-occupancy of former high technology office tenants as well as encourage other uses permitted in the Waterfront Land Use Plan
- Allow a development entity to propose the repair and re-tenancing of the Pier 38 bulkhead building only under the “master tenant” approach or allow a development entity or a development team to propose to repair and re-tenant the Pier 38 bulkhead building and be qualified for later pier redevelopment, if feasible, under the “master developer” approach
- Develop a plan to improve the physical appearance of the bulkhead building and/or the pier shed

Port staff recommends that the reuse of the Pier 38 bulkhead building be subject to a competitive selection process to solicit a development entity to perform needed health

and safety upgrades to the Pier 38 bulkhead building such that it can be re-tenanted as quickly as feasible.

A respondent to the solicitation process may submit either as a “master tenant” to accomplish the repair and re-tenanting of the Pier 38 bulkhead building with no obligation to address long-term redevelopment or as a “master developer” to rehabilitate the bulkhead building and demonstrate their qualifications to undertake long-term redevelopment of Pier 38. In the latter case, a respondent will have to demonstrate it has the capacity itself or enter into a partnership that would allow for bulkhead rehabilitation and long-term redevelopment for the remaining Pier 38.

The solicitation process will specifically call for responses to:

- 1) For both “master tenant” and “master developer” submittals, the respondent must submit qualifications to undertake the bulkhead building and develop a proposal to plan and fund improvements in order to re-occupy the bulkhead building with limited pier shed improvements, generally informed by the rehabilitation options provided by Creegan & D’Angelo. The respondent will have to determine the most effective implementation strategy to quickly re-tenant the bulkhead building in order to achieve the Port’s goal of bringing the bulkhead building back into economic use and provide an on-going revenue stream to the Port.
- 2) Encourage the re-tenanting of the bulkhead building to include: office, high technology uses, visitor-serving commercial, entertainment and cultural uses, and, maritime uses that complement adjacent waterfront development. These uses would continue the Port’s Waterfront Land Use Plan’s goal of continuing the redevelopment of the South Beach waterfront from the Bay Bridge to AT&T Ballpark, reviving this historic structure and helping knit Pier 38 into the South Beach neighborhood by bringing people and business activity to the waterfront.
- 3) If submitting as a “master developer”, the respondent must submit qualifications to undertake the complete Pier 38 redevelopment or allow a respondent to create a development team with one development entity to undertake the bulkhead building rehabilitation and another entity to later propose a long-term redevelopment implementation plan for Pier 38. Long-term feasibility of the rest of the pier will necessitate the funding of an expensive seismic pier upgrade and a lengthy entitlement process. While the RFP would qualify this entity, any long-term pier redevelopment proposal would have to be considered by a subsequent Port Commission action.
- 4) Under the “master tenant” approach, require the development entity to lease the bulkhead building and limited pier shed space. The respondent will be responsible to make improvements to the physical appearance of the bulkhead building and, depending of the amount of pier shed space proposed, improvements to the pier shed. Under the “master developer” approach, require the development entity to lease the entire Pier 38, excluding the maritime areas (i.e., boat ramps) and submit a plan to improve and maintain the physical appearance of the pier shed.

OVERVIEW OF OPPORTUNITY

If approved, the RFP would be issued in October 2012 to solicit a respondent with demonstrated experience in rehabilitating, developing, and operating facilities similar to Pier 38. An ideal candidate would have experience with historic rehabilitation of waterfront structures, an ability to identify and secure target tenants, and a demonstrated ability to operate and maintain real estate projects once completed. In addition, such a candidate should have a proven ability of working with public agencies to achieve results desired by the Port.

As noted above, a response to the RFP will include a short-term implementation strategy of the Pier 38 bulkhead structure. The RFP will allow a respondent to submit qualifications to undertake developing the remaining pier structure in the long-term. This blended approach creates the possibility that a "master tenant" can be selected separate from a "master developer."

The Port will require that the rehabilitation of Pier 38 will be funded through private sector investment and that the Port expects the successful respondent to fund physical improvements and provide for on-going operating/maintenance costs as well as provide security for the entire pier.

The negotiated lease between the Port and a successful respondent will be at fair market rent and the lease term will be subject to negotiation.

Staff's proposed Selection Process and Selection Criteria and schedule are shown in Exhibit 2.

RECOMMENDATION

Port staff recommends that the Port Commission authorize and direct staff to issue an RFP for an entity to rehabilitate the Pier 38 bulkhead building and limited pier shed improvements for re-occupancy while qualifying this entity to consider the long-term reuse of the entire or the majority of the pier structure.

If the attached resolution is approved, Port staff will issue the RFP in October 2012.

Prepared by: John Doll, Project Manager
Planning & Development

Jonathan Stern, Assistant
Deputy Director
Planning & Development

For: Byron Rhett, Deputy Director
Planning & Development

Exhibit 1 -- Pier 38 Option Table & Diagrams
Exhibit 2 -- RFP Parameters

Exhibit 1 – Pier 38 Option Table & Diagrams

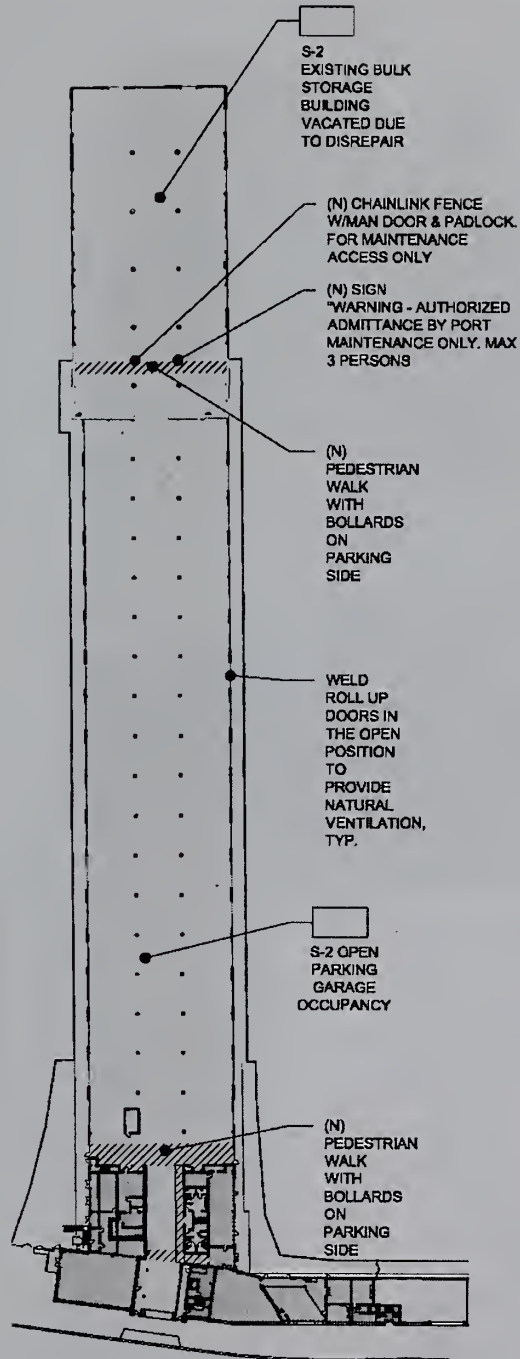
PIER 38 COSTS AND EXPECTED RETURN

Below is a summary table of the various options studied showing the cost, expected yearly rental return, and expected return period studied in the Creegan + D'Angelo/F.E. Jordan Joint Venture Code Compliance & Occupancy Study.

Option #	Option	Cost	Expected Yearly Return
1a	First Floor Only 12,334 s.f. office space	\$1.7 Million	\$370,000
1b	First Floor with Parking 12,334 s.f. office space 70,200 s.f. parking inside shed with estimated 228 parking spaces	\$4.6 Million	\$730,000
1c	First and Second Floor Office 27,929 s.f. office space	\$3.6 Million	\$840,000
1d	First and Second Floor Office with Parking 27,929 s.f. office space 70,200 s.f. parking inside shed with estimated 228 parking spaces	\$6.5 Million	\$1,200,000
2a	First and Second Floor Office and Assembly 4,478 s.f. assembly occupancy space on second floor 23,451 s.f. office space combined on first and second floors	\$3.7 Million	\$840,000
2b	First and Second Floor Office and Assembly with Parking 4,478 s.f. assembly occupancy space on second floor 23,451 s.f. office space combined on first floor and second floor. 19,000 s.f. parking inside shed with estimated 40 parking spaces	\$4.5 Million	\$900,000

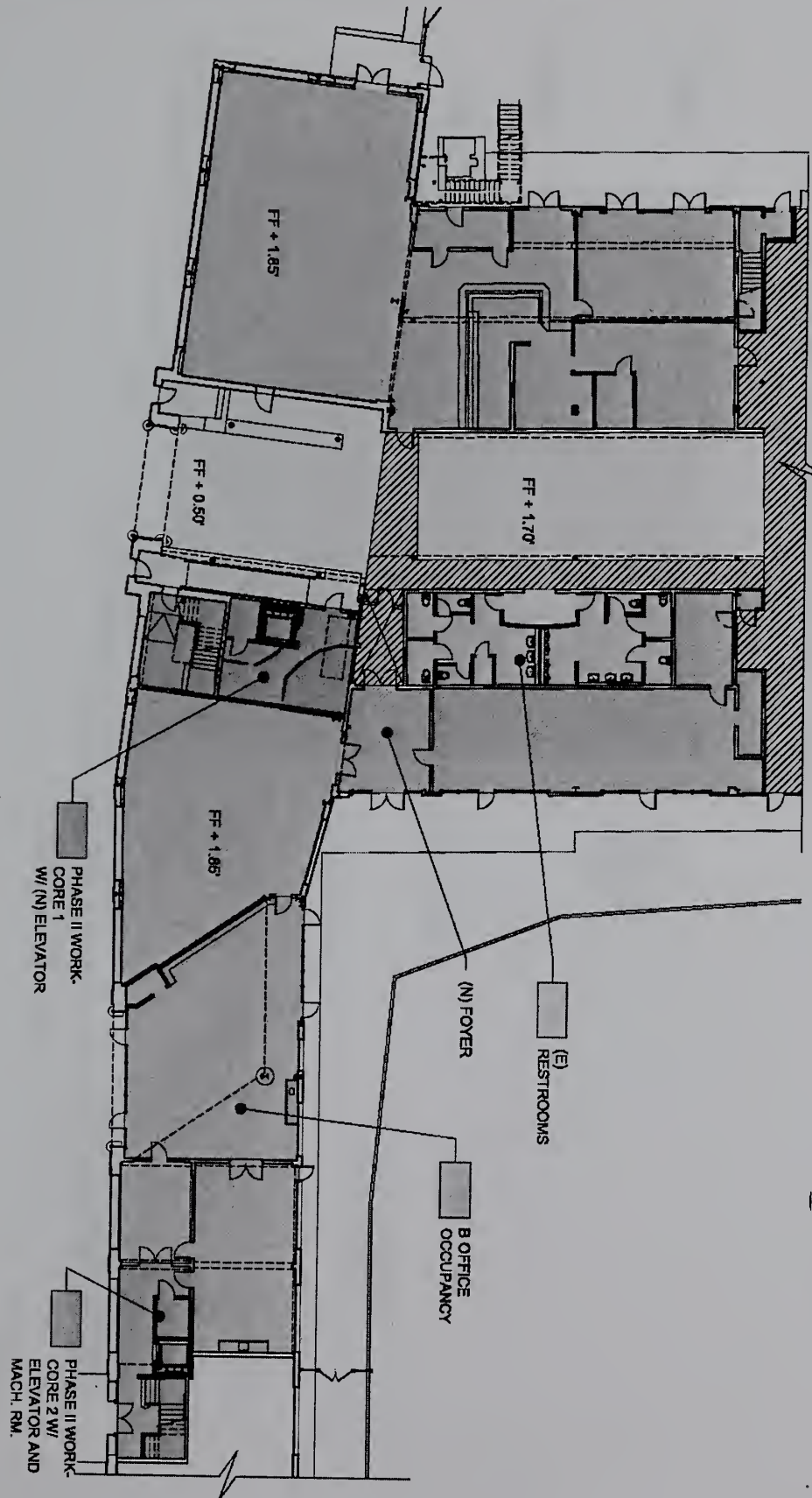
Option 1

First Floor



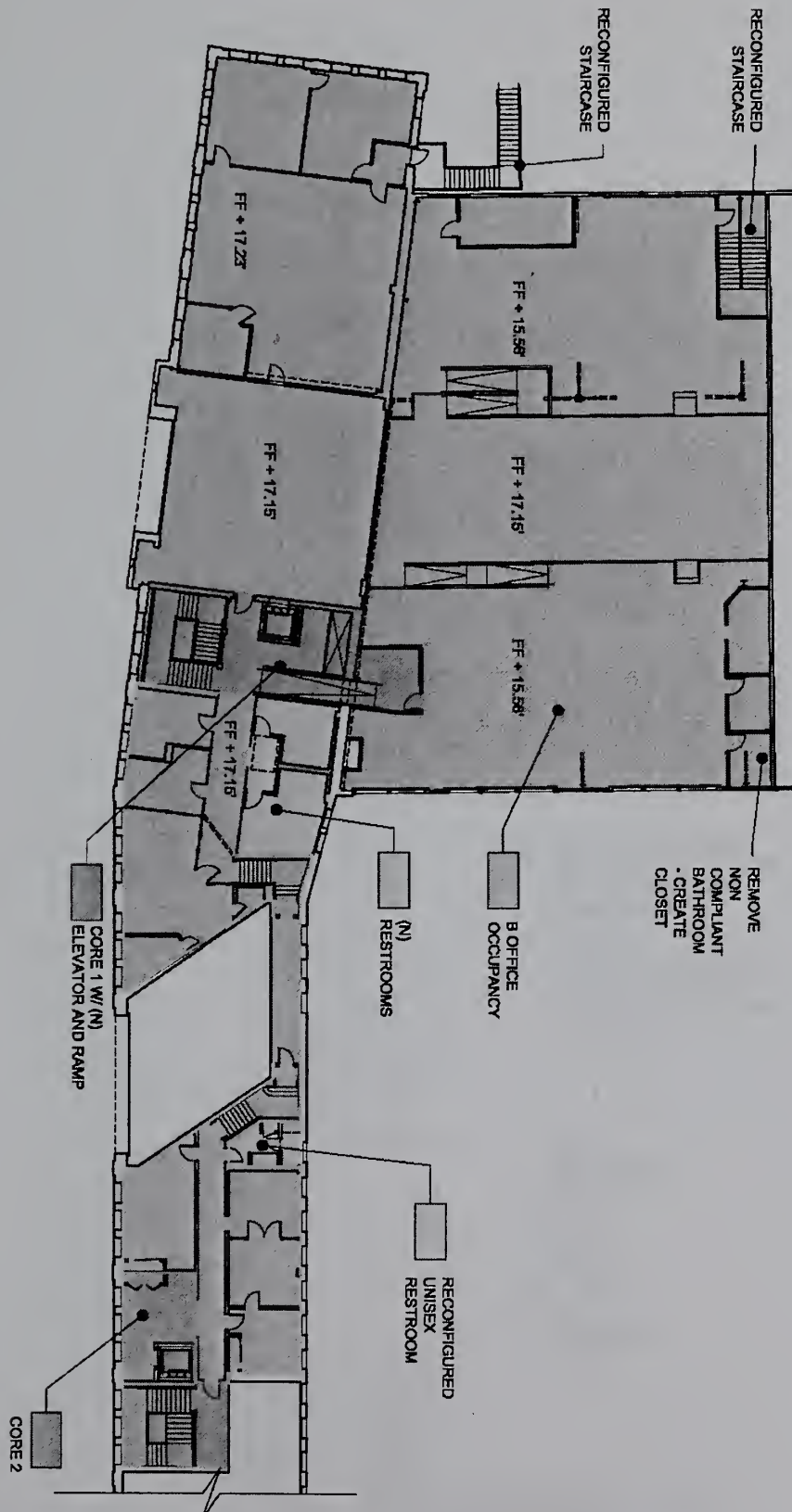
Option 1

Zoomed In View of Partial Portion of First Floor



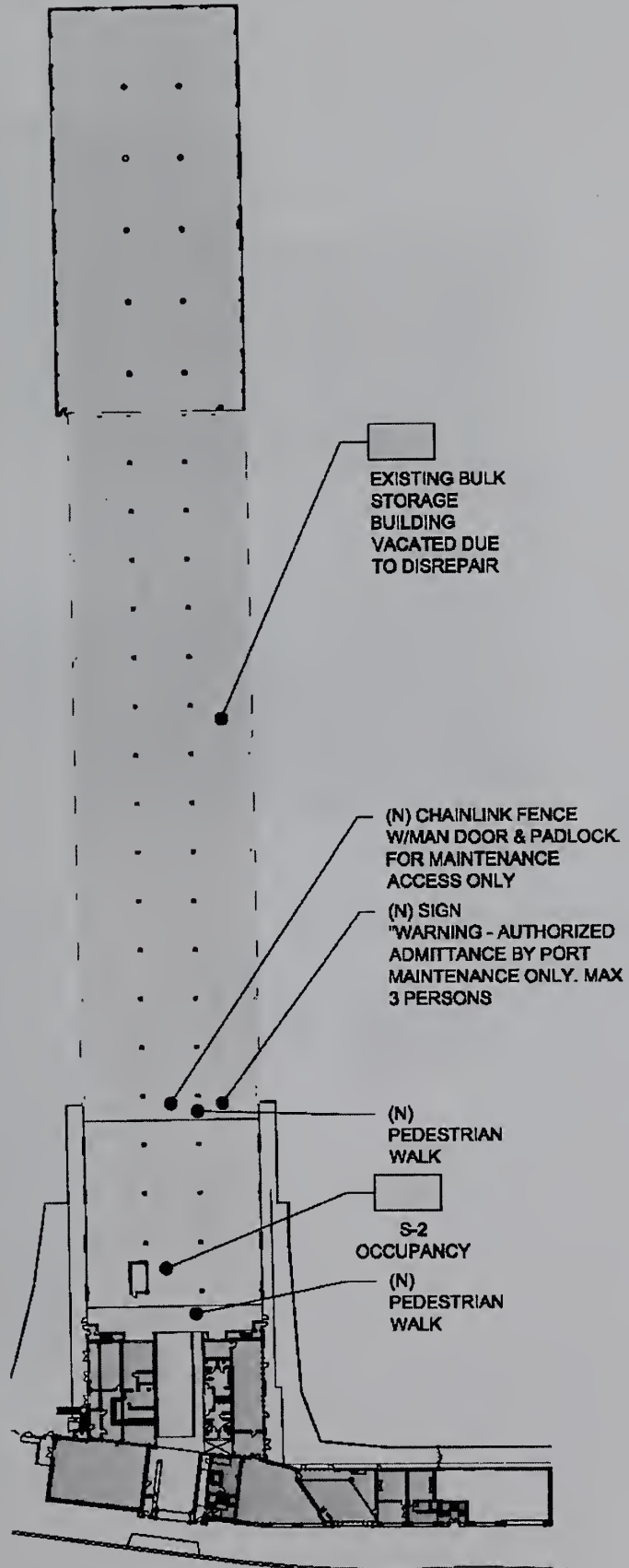
Option 1

Zoomed In View of Partial Portion of Second Floor



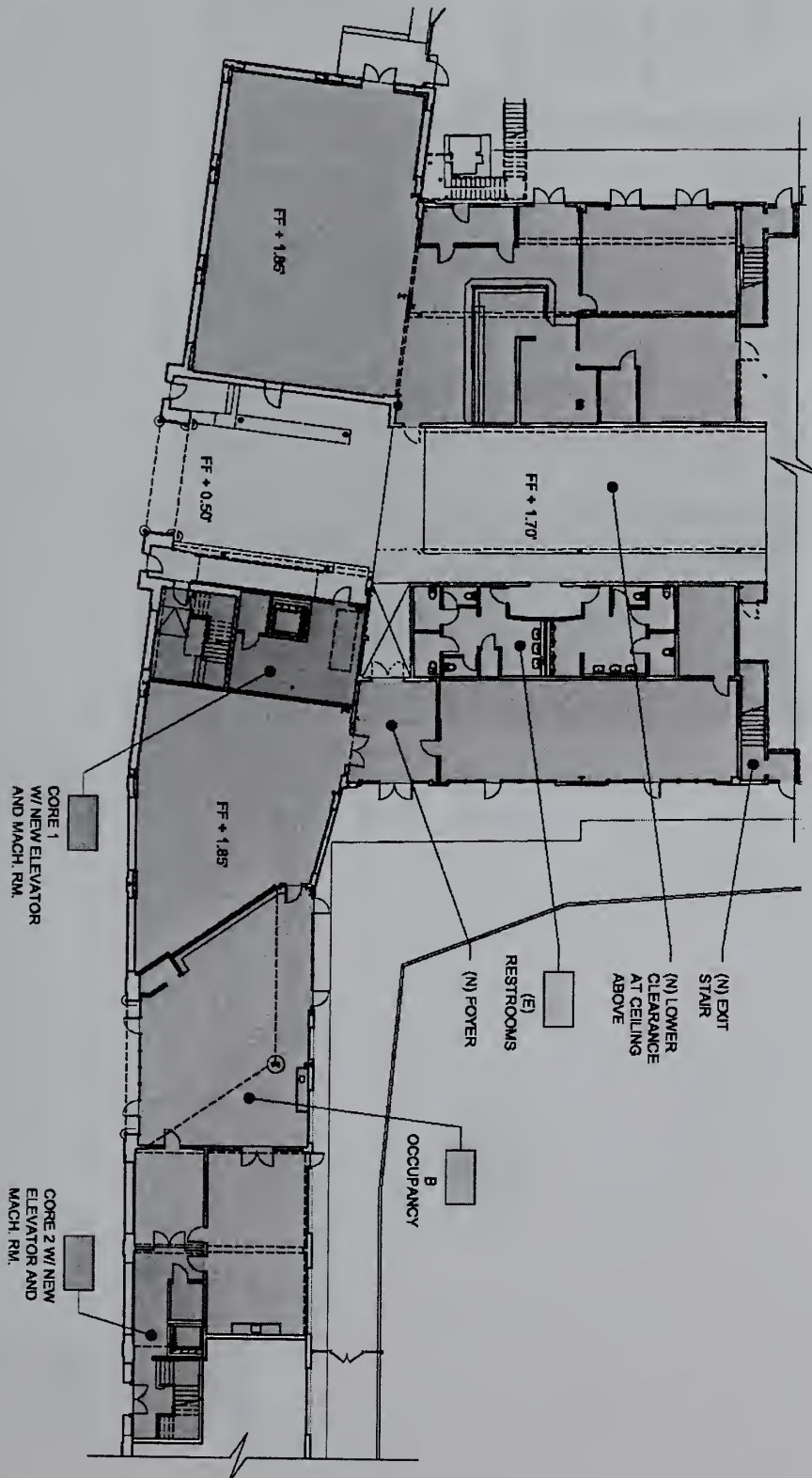
Option 2

First Floor



Option 2

Zoomed In View of Partial Portion of First Floor





Option 2

Zoomed In View of Partial Portion of Second Floor

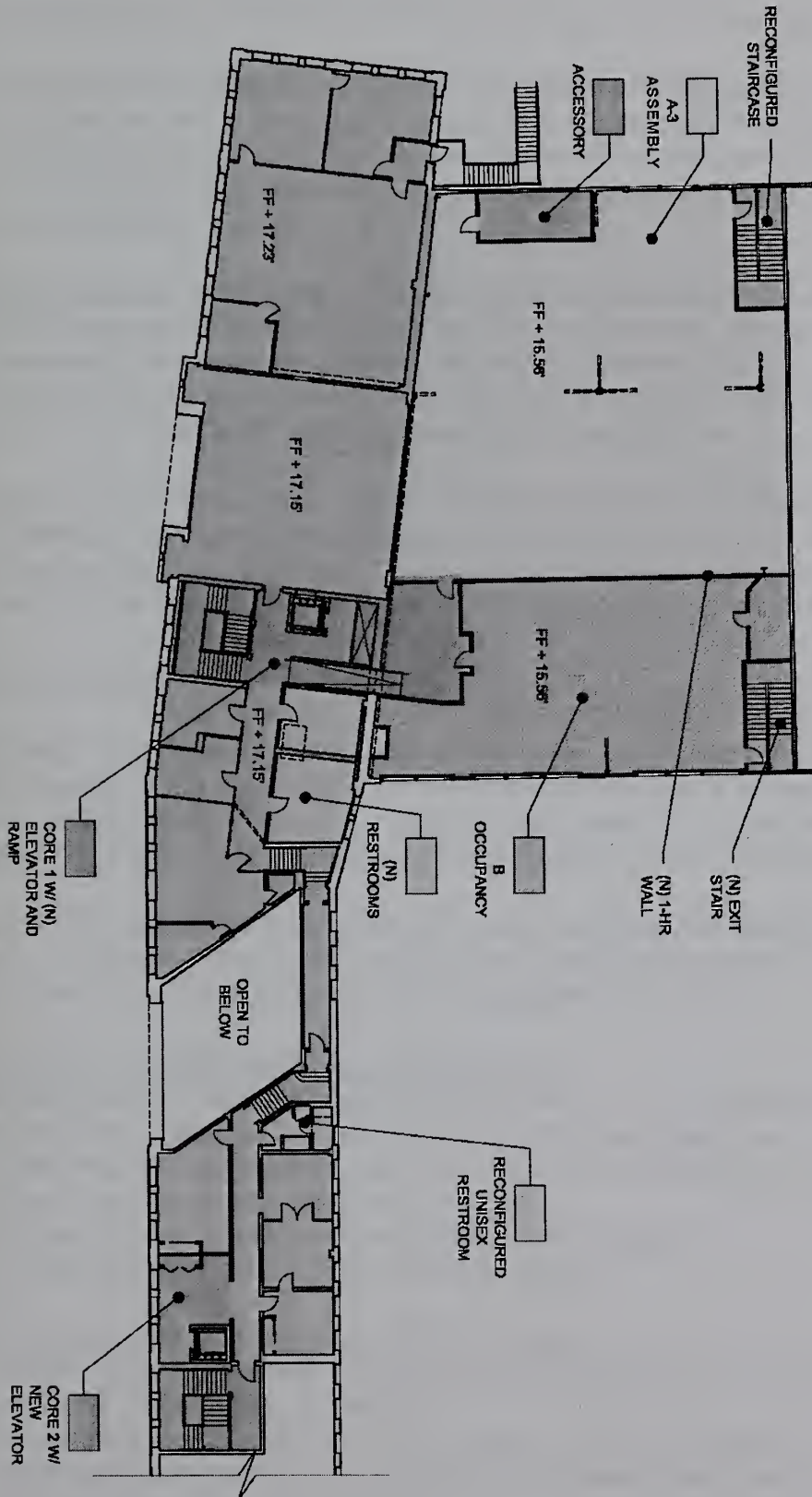


Exhibit 2 – RFP PARAMETERS

SELECTION PROCESS

Port staff recommends a selection process consisting of the following steps:

1. **Request for Proposals** – Staff will complete an RFP requiring submittal of qualifications and a proposal to re-tenant the bulkhead building in the near term, including a financial proposal. Respondents will be required to tender an earnest money deposit that will be refundable to all respondents except the one selected by the Port Commission.
2. **Evaluation of Proposals** – Proposals will be screened for responsiveness to the RFP. Responsive proposals from qualified respondents will undergo technical evaluation. Following this review, staff will recommend the highest ranked candidate to the Port Commission. The Port Commission will select a candidate, if any, and direct staff to enter into exclusive negotiations.
3. **Approval of Transaction** - Upon completion of any required environmental review and finalization of negotiations by Port staff, the Port Commission will consider the lease and related documents. Given the likely term, the lease will also be subject to approval by the San Francisco Board of Supervisors.

SELECTION CRITERIA

Port staff intends to recommend for Port Commission consideration a candidate for Pier 38 project based on the information contained in the responses to the RFP, an investigation of the entity's financial capability, past projects and performance, interviews (if Port staff elects to hold such interview) and other pertinent factors.

Evaluation of the submitted proposals will require technical real estate and planning analysis. In particular, the following criteria are identified for proposal evaluation. The evaluation weighting of these factors will be specified in the RFP.

Experience, Qualifications, and Financial Capability

- Experience with projects of comparable size, land use, visibility and expense, especially for projects located in the San Francisco Bay Area
- Experience of respondent's team members and key personnel, either as a single or joint venture development entity
- The respondent's ability to fund the proposed project
- The respondent's overall financial track record

Proposed Development Design and Tenant Program

- The design and architectural quality and constructability of the proposed design concept for the bulkhead building
- Improvements to improve the appearance of the Pier 38 shed
- The respondent's ability to re-tenant the bulkhead building with uses consistent with the Port's goals and objectives

- The reasonableness and feasibility of the respondent's proposed re-tenanting concept in achieving the Port's objectives
- The probability of obtaining approvals for the proposed design, given the physical and legal constraints on development

Proposed Financial Terms for Tenant Program

- The proposed annual rent structure
- Private investment in Port property
- The term of the interim lease

PROJECTED RFP SCHEDULE

To properly advertise the RFP opportunity and to allow interested parties sufficient time to perform reasonable due diligence and prepare detailed proposals, Staff proposes the following RFP schedule:

Issue RFP	October 2012
Tentative submittal deadline	<u>February 2013</u>
Evaluation of proposals	<u>Early March 2013</u>
Port Commission approval of ENA with selected respondent	Spring 2013
Port Commission lease approval	Summer 2013
Board of Supervisors' lease approval	Summer 2013

This schedule is an estimate and may vary on factors beyond Port's Staff's control. Staff will update the Port Commission on the response to the RFP and schedule for evaluation.

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 12-74

- WHEREAS, Charter Section B3.581 empowers the Port Commission with the authority and duty to use, conduct, operate, maintain, regulate and control the lands within Port jurisdiction; and
- WHEREAS, The Port owns in trust the Pier 38 site, consisting of approximately 68,000 square feet of shed space, 28,000 square feet of apron space, 7,800 square feet of bulkhead office space, and 180,000 square feet of water space, located at Delancey Street and The Embarcadero in the South Beach Harbor Mixed Use Opportunity Area of the South Beach/China Basin Waterfront area of the Waterfront Land Use Plan ("Waterfront Plan") adopted by the Port Commission; and
- WHEREAS, Pier 38 is a contributing resource to the Embarcadero National Historic District and the Pier 38 bulkhead building is also recognized by San Francisco's Architectural Heritage as a notable and architectural resource; and
- WHEREAS, In January 1996, the Port and Pier 38 Maritime Recreation Center and Carl Ernst (collectively, the "Prior Tenant") entered into a 20-year lease, under Port Lease No.12120, as amended, for the entirety of Pier 38 and the Prior Tenant subsequently subleased portions of Pier 38 to other parties; and
- WHEREAS, As a result of unlawful detainer action initiated by the Port, the Prior Tenant was evicted from Pier 38 and surrendered possession on or about August 1, 2011; and
- WHEREAS, Subsequent to eviction, Port Engineering Division staff, with the assistance of Creegan & D'Angelo/F.E. Jordan Joint Venture ("C+D") performed rapid assessments of Pier 38 and discovered unsafe conditions related to egress, accessibility, and the electrical, plumbing, mechanical and structural systems at Pier 38 and to protect the health and safety of the occupants and the public, the Port's Chief Harbor Engineer declared Pier 38 unsuitable for occupancy and all occupants were asked to vacate the premises; and

- WHEREAS, Since October 20, 2011, Pier 38 has been vacant, with exception of three vessels moored without Port approval; and
- WHEREAS, On January 13, 2012, Port staff presented to the Port Commission an informational update regarding the C+D engineering study of the estimated costs (ranging from \$1.7 million to \$6.5 million) and the expected annual return to Port of various options to repair and reoccupy all or portions of the Pier 38 bulkhead building and potentially the shed for parking, all without triggering a seismic upgrade as further described in the staff report of January 13, 2012; and
- WHEREAS, It is in the Port's interest to repair and re-occupy the Pier 38 bulkhead building as soon as possible as it would promote public use and continue the rehabilitation of the South Beach Waterfront from the Bay Bridge to AT&T Ballpark, revive this historic structure and help knit Pier 38 into the South Beach neighborhood by bringing people to the Bay's edge; and
- WHEREAS, Given other pressing needs, the Port does not have the capital resources at this time to undertake the rehabilitation of the Pier 38 bulkhead building as a public works project; and
- WHEREAS, City policy encourages competitive bidding for leasing opportunities unless impractical or infeasible; and
- WHEREAS, At the September 11, 2012 Port Commission hearing, the Port Commissioners inquired of Port staff whether there was a way to accomplish the short-term objective to quickly rehabilitate and re-tenant the Pier 38 bulkhead building, while also developing a means to determine a long-term plan for Pier 38; and
- WHEREAS, Port staff recommends that publicly soliciting proposals through a request for proposals ("RFP") process for the lease of the Pier 38 bulkhead building and for a portion of the shed, which lease will require the successful respondent to immediately repair and rehabilitate the Pier 38 bulkhead building and possibly a portion of the shed, will garner the best market response and provide the Port with the best opportunity to meet its overall goals for the Pier 38 site; and
- WHEREAS, Issuance of an RFP does not commit the Port to proceeding with any lease or lease development project, and the Port cannot approve a lease or development agreement for the project until after environmental review has been completed in compliance with the California Environmental Quality Act; now, therefore, be it

RESOLVED,

That the Port Commission has reviewed the goals and objectives for Pier 38 and the proposed selection criteria for the respondent and authorizes Port staff to issue an RFP and manage the solicitation process consistent with the goals and objectives and the proposed selection criteria, as further described in the staff report accompanying this resolution.

I hereby certify that the Port Commission at its meeting of September 25, 2012 adopted the foregoing Resolution.

Secretary



MEMORANDUM

September 20, 2012

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz

FROM: Monique Moyer *M. Moyer*
Executive Director

SUBJECT: Informational Presentation on AMB Pier One LLC Pier 1 Energy Efficiency and Solar Array Project

DIRECTOR'S RECOMMENDATION: Informational Only – No Action Required

Executive Summary

Pier 1 Tenant, AMB Pier One LLC, has requested the Port to participate in the Pier 1 Energy Efficiency and Solar Array Project ("Energy Project"). As described more fully below, the Energy Project will reduce energy costs and consumption and achieve an Energy Star rating of 75 or higher. The Energy Project will represent the first commercial project to participate in the City's Property Assessment Clean Energy Program. The Energy Project will be funded through the assessments on each of the Pier 1 tenants, including the Port. Such assessments are expected to be offset by energy cost savings derived from more efficient energy consumption combined with power generated through a rooftop solar array.

Background

By a Request for Interest and Qualifications ("RFI&Q") in January 1998 the Port solicited submittal of interest and qualifications to develop and master lease Pier 1 as a maritime related office complex. AMB Property L.P. was selected based on its commitment to occupy the building as project manager and co-tenant and on its financial capacity, development concept, responsiveness to public access and public trust objectives, a shorter lease term (50 years), and the opportunity for the Port to participate in the economic benefits of the project.

THIS PRINT COVERS CALENDAR ITEM NO. 10A

On August 1999, the Port and AMB Property L.P. entered into a Lease for the master lease of Pier 1, a shed with approximately 153,000 sq. ft. of Class A office and retail space. Concurrently the Port and AMB Property L.P. executed a 50 year sublease agreement for the Port to occupy approximately 52,000 square feet (35% of the leasable area) that serves as the Port's main office. As part of a historic tax credit investment in the project, AMB Pier One LLC assumed the interest of AMB Property L.P. under the master lease and the sublease and is the Port's current master tenant (the "Tenant") and Sublandlord.

In 2011 AMB Property Corp., the ultimate parent of the Tenant merged with Prologis, Inc., retaining the Prologis name. Prologis is a subtenant under the AMB Pier One LLC master lease and continues to occupy Tenant's original premises in Pier 1 consisting of approximately 51,000 square feet, which also serves as its corporate headquarters. The remaining 50,000 square feet is occupied by multiple office / retail tenants including Adaptive Path, W.R. Hambrecht, Pattern Energy, Pacific Waterfront Partners and Starbucks. The building is 100% leased and the Lease contains a rent participation provision where the Port receives 50% of the net income over and above a minimum threshold.

Energy Project

Tenant has engaged Johnson Controls Inc. ("JCI"), a global organization and recognized leader in commercial building systems and renewable energy projects, to make certain energy efficiency improvements to Pier 1. JCI was selected due to its in-house design capabilities and its track record of completing numerous commercial building energy system enhancements and renewable energy projects.

Under the Tenant's proposal, JCI will provide turn-key design and implementation of energy efficiency and solar upgrades to Pier 1 with the goals of reducing energy costs and consumption while achieving an Energy Star rating of 75 or higher. The project will showcase cost-effective upgrades that generate a savings of equal to or greater than the anticipated cost to implement. The project cost is budgeted at approximately \$1.6 million and is modeled to generate approximately \$100,000 of annual energy savings, beginning in the first year. The project is scheduled to commence in October 2012 and be completed in January 2013.

The Tenant is the project sponsor and has been actively working with the Port staff to obtain the Port's consent to proceed with the project as required under the Lease. The Pier 1 energy efficiency and solar array improvements involve no upfront capital expense to the Port. However the projects will require annual reimbursement of the Port's pro-rata share of the costs through a special tax assessment as provided for under the terms of the sublease.

The Energy Project will be the first commercial property in San Francisco to qualify for the City's Property Assessment Clean Energy ("PACE") program. The PACE program was initiated in 2009 by an ordinance authorizing the creation of a local community facility district to finance water and energy conservation and renewable energy improvement measures on commercial buildings in San Francisco through a citywide

special tax district, which the Board of Supervisors created in 2010. The ordinance is authorized by and incorporates the California Mello-Roos Act. The Board subsequently authorized the issuance and sale of Special Tax Bonds in a minimum aggregate amount not to exceed a \$100 million to fund this GreenFinanceSF ("GreenFinance") program, which provides a funding mechanism for participants in the PACE program.

The City established the GreenFinance program for non-residential properties and designates the SF Department of Environment as the program administrator. The program entails the issuance of special tax bonds for eligible facilities in a special tax district for the purpose of financing energy and water conservation and renewable energy improvements of privately and publicly owned non-residential parcels.

Additionally the Energy Project will be the first public private net metered solar project for the San Francisco Public Utility Commission ("SFPUC"). To achieve this, the solar installation will directly offset the building electric expense by providing an onsite renewable energy source. A significant advantage of this system is that the solar panels provide peak performance during the daytime when the energy load is at its highest. Due to demand pricing of energy, peak times result in a higher per KW charge. Use of the solar panels will reduce use of the peak priced power thereby leveling the overall cost of energy to the project.

Specifically the Energy Project scope consists of the following:

- Retro-commissioning Heating Ventilation Air Conditioning system and controls,
- Energy efficient lighting upgrades throughout tenant spaces, and
- Installation of 200KW rooftop solar array with associated re-roofing on approximately one half of the building roof primarily sited on the back of the building towards the Bay to minimize solar shading.

In conjunction with the installation of the solar panels the Tenant plans to re-roof the portion directly under the solar array to avoid significant additional expense after the panels are in place. The existing roof is approximately 13 years old and the portion to be replaced represents approximately 40% of the north end of the building. The roof replacement is being accelerated by 5-7 years (assuming a 20-year useful life) to ensure there would be no costly future replacement after the panel installation. The roof replacement will be funded separately by the Tenant as a capital expenditure and under the terms of the sublease, the costs are not recoverable by the Tenant as a reimbursable expense item to the Port.

Financial Analysis

The Energy Project cost of \$1.6 million is to be primarily financed through GreenFinance by the City's issuance of a \$1.4 million bond. The cost of the GreenFinance financing is re-payable through special tax assessments against the Tenant's leasehold interest and is estimated at approximately \$100,000 annually over 20 years.

Under the program, individual property owners may opt to place their property into the GreenFinance citywide special tax district to obtain bond proceeds from the City to

finance green improvements. The program specifically authorizes ground lease tenants to participate in the program with the property owner's consent. Each approved project receives funds from a project-specific issuance of bonds by the City, with the City's advance of funds repaid by special taxes assessed against the improved parcel (or leasehold interest, in the case of a ground lease) over a 20-year term.

To reduce the annual interest expense of the bond and make the project more cost effective, the City has successfully applied for an allocation of federal Qualified Energy Conservation Bonds (QECCB). The California Debt Limit Allocation Committee (CDLAC) has granted an allocation of QECCB to the City for this project. This allocation represents a form of tax credit that can be converted into direct subsidy payments instead of tax credits, which is how the City intends to use the credits and reduce its cost of borrowing. The City submitted its QECCB application to CDLAC in May 2012 and received the allocation on July 18, 2012, with a hard October 15, 2012 deadline for the City to commit the funds.

To enable the Tenant to participate in and receive bond funds under the GreenFinance program, the Executive Director on behalf of the Port Commission as the underlying owner must execute the Port's Unanimous Approval to annexing Pier 1 to the citywide special tax district in the form attached, with the express understanding that special tax assessments will attach only to the Tenant's leasehold interest. The bond will be repaid by special taxes assessed on the leasehold interest for the 20 year term of the bond. Under the ordinance and the Mello-Roos Act, the lien of the special tax on the leasehold interest is on par with the lien of possessory interest taxes. To facilitate the financing, the City will be required to covenant to inhibit the Port from terminating its ground lease with the Tenant or any successor lease except by entering into a replacement lease and to use reasonable efforts to obtain attornments, if necessary, from the subtenants of the leasehold if the ground lease is terminated.

The Tenant has proposed that each subtenant (including Prologis, which occupies approximately 35% of Pier 1) pay its pro rata share of annual special taxes assessed (estimated at \$100,000 per year for the 20-year term of the bonds) to pay the bonded indebtedness for the Energy Project. The sublease agreement between the Port and the Tenant provides for the Port to pay its share of all building operating expenses, reimbursable repairs, possessory interest taxes (should the Port's occupancy be determined not to be exempt), and other applicable taxes and assessments. The Port occupies approximately 35% of Pier 1, and the Tenant is anticipating the Port to pay a pro rata share of the special tax assessment. Based on the estimated annual \$100,000 special tax assessment, the Port's pro rata share would be approximately \$35,000 on an annual basis for a total of \$700,000 over 20 years.

Staff has prepared a letter agreement with the Tenant granting approval of the improvements as required under the Lease, on condition that the Tenant confirm that the sublease obligation for the Port to pay a pro rata share of assessments will apply to the special tax obligation for this project subject to the Tenant's express agreement to be responsible for construction costs and bond issuance cost over runs, if any, and to absorb the pro rata share of the annual interest expense for any vacant space.

Tenant, through JCI, has prepared a model of the estimated annual savings upon project completion with a projected annual energy savings to the building in the first year of approximately \$100,000. The projected energy savings are approximately equal to the anticipated special tax assessment providing a net neutral cost to the Port. The model assumes a relatively conservative energy cost inflation factor of 3.5% which is slightly below the 10 year average of a 4.18% increase as reported by the San Francisco-Oakland-San Jose Consumer Price Index for electricity. Therefore over the term of the bond, anticipated energy cost savings from the financed improvements will significantly increase due to the inflated delta between traditional energy costs which are unfixed and the fixed costs of financing. Based on information provided by JCI, the Port's total estimated net energy savings over and above the reimbursement of its pro rata share of the special tax assessment of approximately \$700,000 over the 20 year term is approximately \$265,000 with a net present value of approximately \$132,000. In addition the solar panel production capacity is warranted for 25 years exceeding the term of bond financing by at least five years, potentially generating even greater energy savings when the annual special tax assessment is extinguished.

Summary

Based on the economic analysis, it is anticipated the Port will significantly reduce its energy costs by agreeing to participate in the Pier 1 Energy Efficiency and Solar Array project. Neither the Lease nor the Sublease will require modification for the project to proceed, and therefore no Port Commission consent or Board of Supervisor approval is being proposed. The Port and Tenant will enter into a letter agreement conveying the Port's approval of the project and requiring the Tenant to confirm that the Port's financial participation is limited to its pro rata share of annual special tax assessments to repay the GreenFinance SF bond, and that the Port will not have any cost overrun or vacancy exposure.

Staff believes the Port Commission should be made aware of the significant public benefits the Energy Project provides through agreement that enables the Port to proactively reduce its energy costs and carbon emissions. Additionally the Port will be the lead City Agency under the first PACE project to be financed by the City's newly created GreenFinanceSF program and empirically demonstrates its commitment to the City's environmental stewardship. Finally this project serves as an innovative public-private partnership between the Port, City, State and the Tenant and may be highly informative for other Port and City projects in the future. Port staff anticipates returning to the Port Commission on October 9, 2012 for authorization to opt into the Special Tax Financing District and to pay its pro rata share of the assessments on an annual basis.

Prepared by: Jay Edwards
Senior Property Manager

Prepared for: Susan Reynolds
Deputy Director Real Estate



SAN FRANCISCO PORT COMMISSION

**SEPTEMBER 25, 2012
MINUTES OF THE MEETING**

GOVERNMENT
DOCUMENTS DEPT

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**MEMBERS, PORT COMMISSION
HON. DOREEN WOO HO, PRESIDENT
HON. KIMBERLY BRANDON, VICE PRESIDENT
HON. WILLIE ADAMS
HON. LESLIE KATZ**

**MONIQUE MOYER, EXECUTIVE DIRECTOR
AMY QUESADA, COMMISSION SECRETARY**

CITY & COUNTY OF SAN FRANCISCO PORT COMMISSION

MINUTES OF THE MEETING SEPTEMBER 25, 2012

1. CALL TO ORDER / ROLL CALL

Port Commission President Doreen Woo Ho called the meeting to order at 2:35 p.m. The following Commissioners were present: Doreen Woo Ho, Kimberly Brandon and Leslie Katz. Commissioner Willie Adams was not present.

2. APPROVAL OF MINUTES – September 11, 2012

ACTION: Commissioner Katz moved approval; Commissioner Brandon seconded the motion. All of the Commissioners were in favor. The minutes of the September 11, 2012 meeting were adopted.

3. PUBLIC COMMENT ON EXECUTIVE SESSION

4. EXECUTIVE SESSION

A. Vote on whether to hold closed session.

ACTION: Commissioner Brandon moved approval; Commissioner Katz seconded the motion. All of the Commissioners were in favor.

At 2:36 p.m., the Commission withdrew to executive session to discuss the following matters:

- (1) CONFERENCE WITH LEGAL COUNSEL AND REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8. ***This session is closed to any non-City/Port representative:**

- a. Property: Block 4111, Lots 3 and 4; Block 4110, Lot 1; Block 4046, Lots 1 and 2; also known as Pier 70 20th Street Historic Buildings, located near the intersection of 20th Street and Illinois
Person Negotiating: Port: Byron Rhett, Deputy Director, Planning and Development
*Negotiating Parties: Developer: Orton Development, Inc.: J.R. "Eddie" Orton III, President

5. RECONVENE IN OPEN SESSION

At 3:30 p.m., the Port Commission withdrew from executive session and reconvened in open session.

ACTION: Commissioner Brandon moved approval to adjourn closed session and reconvene in open session. Commissioner Katz seconded the motion. All of the Commissioners were in favor.

ACTION: Commissioner Brandon moved approval not to disclose any information discussed in closed session; Commissioner Katz seconded the motion. All of the Commissioners were in favor.

6. ANNOUNCEMENTS: The Port Commission Secretary announced the following:

A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting:

Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.

B. Announcement of Time Allotment for Public Comments:

Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

7. EXECUTIVE

A. Executive Director's Report- Executive Director Monique Moyer reported the following:

• Completion of Heron's Head Park – September 7, 2012

The addition of a new open space in the Port's portfolio is a new 1¼ acre open space at Heron's Head Park. This was a park that was awarded by the 2008 Proposition A Park Bonds and it is finally completed. It includes a lawn area, picnic area, a dog run. We've added lighting, restrooms, parking and new pathways so it is open to good reviews from the neighborhood and we hope will become a place that the rest of the city and the region will find compelling as well. The project budget was approximately \$2.5 million and we stayed within budget. I want to thank Commissioner Brandon for her leadership on this project and helping us to move forward very rapidly with something new for our Southern



waterfront. We hope to have a grand opening soon, but the park was open to the public on Friday, September 7, 2012. A round of applause for Commissioner Brandon as well as to all the amazing Port staff, particularly David Beaupre, Carol Bach and many others that have worked on this tirelessly for many years.

- America's Cup World Series Events – October 2-7, 2012

It's that time that we've been talking about forever which is the combination of the America's Cup, Fleet Week, 49ers game, Giants Championship Playoff Games, Taste of South Beach, etc. I could go on and on but I'm only going to talk today about the America's Cup Regatta and the Fleet Week.

The America's Cup Regatta will begin on Tuesday, October 2, 2012. It will be housed a little differently from the August Regatta in that it will be taking place on Little Marina Green closer to the St. Francis Yacht Club because the major portion of Marina Green is for the Fleet Week activities. We again expect to have 11 vessels running under seven teams. I heard a great description the other day of what the America's Cup World Series really is. It was described by one of the sailors as "The preseason of the America's Cup." I thought that was a really great synopsis.

The America's Cup World Series is running from July 2012 to June of 2013. Points are earned for each of the regattas and a winner emerges at the end of 2013 and then we roll into the Louis Vuitton Challenger Series followed by the Youth Sailing Races and the America's Cup final match.

The first regatta under the 2012-2013 season was raced in San Francisco Bay in August. The winner of that was the Oracle racing team heralded by Jimmy Spithill. We will see how he holds up in the second running.

Beginning on Tuesday October 2, 2012 the Little Marina Green America's Cup Village will be open every day from 10:00 a.m. to 7:00 p.m. Tuesday, October 2, will be a practice day. Wednesday, October 3, will be match racing qualifiers. Match racing is where two teams go head to head. Thursday, October 4, will be the match racing quarterfinals and then the practice session of the Blue Angels, weather permitting. Friday, October 5 the Blue Angels will practice first and then at four p.m. will be the match race quarterfinals followed very quickly thereafter by the fleet racing. At 10 a.m. on Saturday, October 6, will be the traditional Fleet Week Parade of Ships followed by the traditional Fleet Week air show, followed by the match race semifinals, then the fleet racing, then the match race final. On Sunday, October 7, will be the air show and then the Super Sunday fleet race. It should be an amazing time to be in the Marina/Northern Waterfront Area for the America's Cup World Series.

The teams participating are: Oracle Team USA captained by Jimmy Spithill, a second Oracle Team USA captained by Russell Coutts, Luna Rossa Team known as Piranha and a Luna Rossa Team known as Swordfish, Team Korea, Energy Team, Artemis Racing White, Artemis Racing Red, Emirates Team New Zealand, JP Morgan and the China Team. We look forward to welcoming them all back into town and out onto the great bay.

- Fleet Week – October 3-8, 2012

We will also be hosting Fleet Week at exactly the same time. Fleet Week will be from October 3-8, 2012. It will officially begin a day after the practice session for the America's Cup.

Fleet Week has a long tradition here in San Francisco. It was started in 1981 by Mayor Dianne Feinstein. This is the third year where Fleet Week not only celebrates our men and women in the military services, but also to bring together leaders from around the Bay Area (federal, state and local agencies) so that in the event of a disaster or an emergency situation, we've met each other, we've compared notes and we have a working relationship. That was a vision created by General Michael Myatt, a retired Marine Corps General, who heads our Fleet Week Committee. It is called the Senior Leaders Seminar, which is something that New York is now trying to replicate, so it's growing in its popularity. The focus of the seminar will be humanitarian assistance in disaster relief. It will again take place at the vessel that will be berthed at Piers 30-32. For this Fleet Week, half of Pier 30-32 or a little less than half will be going to support Fleet Week and the other portion will be for the team bases for the America's Cup Regatta.

This year at Piers 30-32 we will welcome the USS Makin Island, which is an amphibious assault ship. She's been here a couple times before but she's bound to be a very popular ship. On Saturday, October 6, 2012 from 10:00-11:00 we'll have the Parade of Ships under the Golden Gate Bridge. We are expecting seven vessels and 3200 officers and sailors to visit San Francisco.

There will be three US Navy Ships, the USS Makin Island, the USS Sterett and the USS Preble which are both guided missile destroyers. There will be a US Coast Guard Cutter which is a high endurance Cutter. There will be three Canadian Naval Ships from Her Majesty's Canadian Royal Navy.

On Sunday, September 30, there will be two Korean Navy vessels which will come in advance of Fleet Week. The ships will be berthed at Pier 80, sharing the berth with Oracle Racing Team. Starting, Monday, October 1, they will be open to the public. This is another reason to visit Pier 80. There'll be ship tours on Monday, Tuesday, Wednesday and Thursday and then unfortunately the Korean Navy has another obligation and they

will be leaving before our Parade of Ships. If you would like to see their vessels, get down to Pier 80 early next week.

The ship tours are free. Following the Parade of Ships on Saturday, October 6, the ships will be open to the public. It is going to be an amazing event.

Last year the Fleet Week Committee pioneered something called "Buy a Sailor Dinner" and they'll be doing that again this year. It was extremely popular and it showed such great will from San Francisco to the men and women in uniform. If you want to get involved you can go to [Facebook.com/Fleet Week](https://www.facebook.com/FleetWeek) and you can find out some information on that. Last year, the generosity of San Franciscans in their restaurants when they saw our sailors was unparalleled and we hope we can do that again.

- Expansion of Downtown Ferry Terminal

Something came up after the agenda printed which is very gratifying for all of us in that President Obama announced that the expansion of the downtown ferry terminal in San Francisco, which is literally behind in the Ferry Building has been identified on his list as one of two key, critical transportation projects in the State of California and his plan is to expedite these two projects through better coordination of the Federal, Local and State governments in order to put Americans to work building a 21st Century infrastructure and providing California with more transportation choices.

The San Francisco Downtown Ferry Project is being spearheaded by the San Francisco Bay Water Emergency Transportation Authority (WETA). They have been doing a great job and their project will improve the waterside and landside facilities, allow for up to six new ferry berths and hopefully as many as 10,000 new passengers per day.

They have been working on a draft EIR/EIS which we hope to see in the beginning of the calendar year. They've been working with the Port, Equity Office Partners and BCDC to move this project forward in an expedited fashion so that construction can commence as early as 2015.

- Equity Office Properties conceptual proposal for activating Ferry Plaza

Jane Connors, the Senior Property Manager with Equity Office Partners, will be providing the Commission a sneak peak at some concepts that Equity Office has been working on for the plaza area behind us in concert with the Port, BCDC and many others who share jurisdiction there.

Jane Connors - This is just a brief introduction. We'll have a formal presentation in a few months. First and foremost I want to thank Monique

Moyer, Phil Williamson, Byron Rhett, Elsa Lamb, Dan Hodapp and Diane Oshima for lending their support and insights in the last few months as we refine and draft the Ferry Plaza Activation Plan.

We are proposing to activate the back plaza and make it into the front door to San Francisco with some exciting programming and some initial improvements. Before a formal presentation is made in the next few months, we wanted to let you know we are proposing programming and improvements to the plaza and we wanted to share with you some preliminary information.

Today the Ferry Plaza is a beloved destination for locals and visitors. We know for a fact that it's visited by 23,000 people on Saturdays between 8:00 AM and 1:00 PM. We have people counters on our doors, so that means many more thousands are visiting, very early shoppers at 7:00 AM and visitors and shoppers after 2:00 PM.

Seven to 10,000 ferry passengers a day traverse across the Ferry Plaza during commute hours, maybe more if the Giants make it to the World Series. The plaza is also a hectic place; it's a delivery zone for the Ferry Building. It's also a service vehicle area for BART, for Golden Gate Ferries, for FPLP, the building behind the back of the plaza and it's also an ADA drop off zone for ferry passengers.

We receive over 250 deliveries a day. People are always bemused that we don't have a basement here at the Ferry Building. I remind them that we have lots of water and pilings underneath. Our food artisans downstairs are extremely reliant on food, on some deliveries from their farms and artisan kitchens.

Throughout our planning process our mandate was to bring more people to the waterfront and to create a multipurpose plaza and make it a world class destination. The goal of the project is to lend excitement to the area and provide a path toward sustainability.

How do we get there? We are proposing an 18- month discovery phase, in which we try new programming and modest initial improvements. We're following prototyping practices that were put in place by similar great urban destinations like Times Square in New York where they basically bring out moveable furniture and allow people to define the new public areas rather than our vision of how people should use it.

We know the Ferry Plaza is beloved. We know that 25,000 people shop here on Saturdays when we program it. One of our exercises during the visionary and the planning stage is what other civic traditions can we propose for the back plaza that are equally embraced and attended. In our formal plan we will show beautiful renderings of a night market on the back plaza, a jazz festival, an antique market and movie nights.

The first part of the paper describes the development of a fuzzy logic controller for a two-link robotic arm. The controller is designed to track a desired trajectory. The second part of the paper describes the development of a fuzzy logic controller for a two-link robotic arm. The controller is designed to track a desired trajectory.

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We are also looking towards finding creative ways to corral the delivery and vehicular needs of the plaza. In the next few months we will meet with key stakeholders and neighborhood groups and I know that what we will bring you in the formal presentation will assure you that we are creating a great urban plaza that will serve as a proud gateway to San Francisco. Thank you to the Port for your support.

Commissioner Katz - When you were making the analogy regarding the America's Cup races, the one that finally made sense to me if you take the football analogy is the World Series is like the regular season, the Louis Vuitton Cup is like the playoffs and the America's Cup race itself is like the Super Bowl.

Commissioner Katz - I also want to thank the staff you mentioned earlier for their hard work.

Monique Moyer - Thank you very much on their behalf. David's beaming over there so it must be good.

Commissioner Woo Ho – With regards to the expansion of the downtown ferry terminal, is the funding of the project not something that we counted on before?

Monique Moyer - The funding is all coming from the Water Emergency Transit Authority. The Port, many years ago before my time, supported the adoption of Regional Measure Two which raised one dollar on the Bay Bridge toll for the project. The Water Emergency Transit Authority has been looking for other funding but this is very new and good news.

Commissioner Woo Ho - What would be the total cost to complete the project?

Monique Moyer – They have not shared that entirely with us but Dan Hodapp may have some information.

Dan Hodapp, Planning and Development Division - There are a number of components where Pier ½ is being removed, Gate A would go in to accommodate two boats; Gate F would be constructed next to Gate E. They're looking at a cost in the vicinity of \$110 million by the time you look at Gates A, F and G. It will be done in three different projects. There will be landside improvements particularly in the lagoon area to the south of the building and also between the Ferry Building and Pier ½, there will be some pier reconstruction.

Commissioner Woo Ho - It sounds like it's a great investment that means there could be more ferry capacity.

Monique Moyer - That's the idea, yes.

Commissioner Woo Ho - Do we know where the ferry routes would be or is that to be determined?

Dan Hodapp - The Water Emergency Transportation Authority is doing some coordination to make the ferry routes logical to the berths so as to minimize crossing of ferries in the Bay. Gate A would be the North Bay destinations that WETA controls. Gate E to the south, Golden Gate would continue to operate where it does now and they have been talking about rebuilding their facilities. Gate E which now serves Oakland/Alameda would shift to F and E would become the Treasure Island Ferry.

We have Treasure Island at E, Oakland/Alameda at F and G becomes an ancillary berth for layover and for future South Bay uses. They're geographically located as such. They're looking to have capacity to essentially triple the ferry operations or the numbers that exist today.

Commissioner Woo Ho - This is a very exciting development and this is something that is needed for transportation and the congestion issues that we're all dealing with.

Commissioner Brandon - Congratulations on the completion of Heron's Head Park. I know a lot of work has gone into that. David Beaupre, Carol Bach and a lot of people have put a lot of time into that. It's a great use of Park Bond funds.

Commissioner Katz – With regards to the proposal of activating the Ferry Plaza and increasing the number of people at the site, how would that impact some of the emergency access to the BART site that we might need? Has that been accounted for?

Jane Connors - I'm here on Saturdays and we've actually had to bring full fire trucks to the back plaza during a Saturday market. We have about 20 operations teams back there but that's definitely a scenario that we've proposed to WETA during some of the key pivotal emergency situations. I know that it seems very seamless when we've had issues but we've had a very small electrical fire back in the BART structure during the Saturday market and we were able to get vehicles back there and people reacted accordingly.

Monique Moyer - The fire lane on the south side would be maintained as it is and Jane and her crew are very good about making sure that's an open access way.

8. CONSENT

- A. Request approval for a representative of the San Francisco Port Commission to travel to Houston, Texas to attend the Breakbulk Americas Conference. (Resolution No. 12-70)
- B. Request authorization to expand Foreign Trade Zone No. 3 Alternative Site Framework Service Area to include additional Bay Area Counties and to amend Foreign Trade Zone No. 3 Zone Schedule (tariff). (Resolution No. 12-71)
- C. Request approval of resolution approving Section 3.15 of the LDA defining *force majeure*, and recommending that the America's Cup Project Director and the City Risk Manager purchase owner's delay insurance. (Resolution No. 12-72)
- D. Request approval of Fiscal Year 2012-13 and 2013-14 Executive Director Salary. (Resolution No. 12-67)

ACTION: Commissioner Brandon moved approval; Commissioner Katz seconded the motion. All of the Commissioners were in favor. Resolution Nos. 12-70, 12-71, 12-72, and 12-67 were adopted.

9. PLANNING & DEVELOPMENT

- A. Informational presentation and Status Report on the America's Cup People Plan.

Diane Oshima, Planning and Development Division - I wanted to give a brief introductory remark to the presentation, the bulk of which will be provided by Peter Albert from the Municipal Transportation Agency. It's very fortuitous that Monique went through her Executive Director's Report to explain all that is going to be happening next week and the city has been planning for the transportation demands of the America's Cup for over a year.

By having both of these events coinciding on the Fleet Week weekend, it's a great opportunity to test out the transportation enhancements that have been incorporated into the America's Cup People Plan. Peter is going to share with you today not only the outlines of some of those elements that relate directly to the Embarcadero Waterfront but also what the refinements have been from our experiences last month during the August World Series and how we're queuing up for October.

One of the most key changes and refinements in the plans have to do with trying to create more pedestrian and bicycle accommodation along the Embarcadero. Fleet Week gets inundated by cars and people. This year with the People Plan, hopefully the benefits will accrue to Fleet Week as well as the America's Cup visitors. It includes closure of the right northbound lane

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along the Embarcadero so that we have more space for bicyclists and then on the Promenade itself more space for pedestrians, while protecting access for those tenant businesses that still need to get into their facilities over the weekend and to carve out the operational space needed to accommodate the three cruise calls that we also have that weekend.

Peter Albert from MTA - This document is one of about a dozen plans that were agreed to be prepared between the city and the America's Cup Event Authority. Clearly, transportation was one of the biggest sources of optimism and maybe anxiety about what we could do to make sure that the America's Cup experience is a positive one for San Francisco.

We had a huge advantage in getting out ahead of this. We've been working on this plan for almost 18 months. The original People Plan drafted in March was refined in September. Now what we're learning is it needs to be a living document because changes to the conditions, the experience we had in August, how we prepare for this coming week and how we prepare for 2013, these are the things that shape the plan and make the plan more responsive to the need.

I start out with a lot of reassurance that what we saw in August was tremendously helpful for those of us who are doing the planning and transportation. It actually was a big relief.

What we saw was more numbers coming in August than people conventionally thought were going to happen and without the headaches of parking and congestion and with robust use of transit, robust use of bicycles. The valet parking for bicycles, the pedicabs even all of the elements that came together in the People Plan that did the heavy duty. The press has been really helpful, but there's a lot of lessons we've learned about how we can even be more ahead of the game in October.

The crowd was estimated at 150,000. The peak was Sunday with 40,000 people on the Marina Green. The coverage was really robust. We had 500,000 views on YouTube. There were 2,900 stories in 1,000 outlets just talking about the races and what they meant for San Francisco and how they went over. The idea that it's an event for the Bay Area but it's playing out on the Bay Arena, a little clever pun here but really the images showing how photogenic San Francisco is ended up being as a backdrop for these races. How attractive these races ended up being for people who are only nominally interested in sailing races but for us in the transportation world, the reception was really rewarding for all the work we did down to making sure we had enough parking control officers, traffic managers, bus drivers and the degree of cooperation we got from BART, CalTrain and the ferries.

We had generally been perceived as having free and unparalleled access to the Marina Green which is actually a pretty hard site to serve by transit. The enthusiasm came from sailors and non-sailors alike. There really were no

The first part of the paper discusses the importance of the study and the objectives of the research. It also provides a brief overview of the methodology used in the study.

The second part of the paper presents the results of the study. It includes a detailed analysis of the data and a discussion of the findings. The results show that there is a significant difference between the two groups.

The third part of the paper discusses the implications of the study. It highlights the practical applications of the findings and suggests areas for further research. The study has important implications for the field of research.

The fourth part of the paper concludes the study. It summarizes the main findings and reiterates the importance of the research. The study has provided valuable insights into the topic.

The fifth part of the paper provides a detailed discussion of the methodology used in the study. It describes the data collection process and the statistical analysis performed. The methodology was carefully designed to ensure the validity of the results.

The sixth part of the paper discusses the limitations of the study. It acknowledges the potential weaknesses of the research and suggests ways to address them in future studies. The study has some limitations, but the findings are still valuable.

The seventh part of the paper provides a detailed discussion of the results of the study. It includes a comparison of the two groups and a discussion of the statistical significance of the findings. The results are presented in a clear and concise manner.

The eighth part of the paper discusses the implications of the study. It highlights the practical applications of the findings and suggests areas for further research. The study has important implications for the field of research.

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significant complaints from the neighborhoods. We worked closely with the neighborhoods, especially around the Marina, the Presidio and the Russian Hill area where we thought the impacts would be greatest.

The neighborhood groups hosted us in many conversations and did a lot of advanced planning on their own that helped us work. We have reports of economic benefits that came to the neighborhood commercial districts and very unusual from MUNI, back-to-back positive reviews about our service.

What we've learned is where we can focus and make sure that the events that come out in October and next year are even better. We want to focus on safety enhancements. We need to make sure these events are safe.

The sort of comparisons between the America's Cup, an international sporting event, the third largest international sporting event in terms of draw after the Olympics, after the World Cup is that hundreds of thousands of people come to the America's Cup. We treat it as a safety event on so many levels.

We want to focus on making sure that we improve the awareness of connections. Whether you're trying to go from MUNI to BART, whether you're trying to go from your bike to your bike valet parking facility, even the cab stands. We can work to make sure the wayfinding, the signage, all of that helps people find these locations. It is tricky when we've changed the site from the Marina Green to the Little Marina Green but we're on it and we have a whole shop now producing the directional signs.

Marketing promotion, a big positive. We have a brochure that we're going to be passing out and we have about 30,000 of them being printed right now. They show you how to get to the site on transit, they show you how to get to the site as a bicycle owner or as a bicycle renter. They recommend satellite parking so if you want to drive we encourage these facilities that are close enough to the site that people can make the shuttle or the walk but still not so close to the site that they add to congestion and parking problems.

We want to make sure that we build on the success we had just making this event more accessible. We did a lot of work with the mayor's office in disability, with MUNI's own accessible advisory committee to make sure there were accessible seats set aside, that the pathway to the seats for paratransit were open and we're continuing to improve that.

One of the most novel developments is the creation of an Incident Command System and this is a legacy that will carry us through all large events in San Francisco. The idea that we're going to create a network headed by Lea Militello, who's an expert, a veteran of the police department for 30 some years, now at MTA, who makes sure that she knows who's in charge of MUNI service planning, MUNI operations, the engineers who are dealing with traffic management, even the outreach and promotion people, the service planning people. She has us all meeting on a weekly basis to get ahead of October

and to figure out what are the legacies that we learned from August that we need to carry over and what are the areas we need to correct. This is an extraordinary week that we're going to be seeing.

This is only a partial list of what we know is going on. Fleet Week, 49ers game on Sunday, the Giants playoffs, it depends on how much the home game is here but this is all happening in San Francisco. Hardly Strictly Bluegrass, pretty far away from the waterfront but still a big draw on our buses, on our traffic engineers, even on the barricades that we use to keep people safe. Italian Heritage Parade, same weekend. Castro Street Fair, same weekend. Decompression, which is a post-Burning Man event, same weekend.

The cruise ship visit, we've been working closely with the Port that we understand those logistics and we get out ahead and make sure that we steer bicycles and pedestrians where they want to go but not in the mix of where the cruise activity is happening, and we've done that.

All this means is that we've gotten out early with the promotion and the advisory campaign. We're working with employers, Port tenants to give them the information about planning ahead, about what's happening on the waterfront and when.

The idea of the Embarcadero right lane is as much a safety issue as anything. It's not a bike facility to give bikes space so they're not competing for the sidewalk. It's also an emergency vehicle access lane and that ends up being pretty important. If we see congestion as we've seen in the past Fleet Week to give ambulances, the fire department and the police department a straight shot to the heart of activities on a separated way could be a tremendous asset for safety. We've actually work with the Department of Emergency Management on that facility.

Do we have enough parking control officers, police, and traffic managers on board? We have a plan now not only for how many there are but where they will be stationed and how fluid they can be. The reality is we never really know the day-to-day issues until the day it happens, and knowing that we can move them around through an incident command structure to be from this place at a half an hour ago to this place in 15 minutes is part of our planning.

One of our big lists we're giving Fleet Week that we've not seen before is the tremendous amount of cooperation we're getting from the region. BART, WETA, Golden Gate Transit, and CalTrain. All of these regional providers are offering more service to carry people, so it's not just once they're in San Francisco we're giving them alternatives to getting here, we're intercepting them in Hayward, in El Cerrito, in Larkspur and giving them that transit so that they're not bringing their car close to the city.

THE UNIVERSITY OF CHICAGO
DEPARTMENT OF CHEMISTRY
530 CHICAGO HALL

TO THE HONORABLE CHAIRMAN OF THE BOARD OF TRUSTEES
OF THE UNIVERSITY OF CHICAGO
FROM
THE DEPARTMENT OF CHEMISTRY
CHICAGO, ILLINOIS

THE FOLLOWING REPORT WAS PREPARED BY THE
DEPARTMENT OF CHEMISTRY IN RESPONSE TO
A RESOLUTION PASSED BY THE BOARD OF TRUSTEES
ON JANUARY 10, 1956.

THE DEPARTMENT OF CHEMISTRY HAS THE HONOR
TO ACKNOWLEDGE THE COOPERATION AND ASSISTANCE
OF THE BOARD OF TRUSTEES IN THE PREPARATION
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We're marketing that at the airport so people can make their plans before they come to San Francisco that they know they can hop on BART, maybe not rent a car but come in on transit but be part of the foot traffic and the fun of the America's Cup.

We're also doing a very vigorous TDM campaign. Transportation Demand Management means if you're an employer who wants to make sure that your employees can get to work, we're giving you this advance notice and telling you to use these transportation services because they're not just for people watching races or going to Fleet Week, they're for everybody who need to go from one part of San Francisco to the other.

There's been a lot of discussion about the lane treatment on Embarcadero. On Saturday, October 6 and Sunday, October 7, we're taking the right hand lane and the parking lane north of Washington Street to Bay Street. We're carving that out to make sure that can be for bicycles and wide enough for emergency vehicles. When it comes to Bay Street, we divert that bike traffic west so that it bypasses the heart of Fisherman's Wharf. It allows the lane closure north of that to serve the cruise activities and it actually gives bicycles a short cut over to the Marina Green.

What we're trying to do is a little choreography to move people safely where the crowds are greatest. Because if you think about it, people do come in at the Ferry Building and the Embarcadero BART, such a huge hub for tens of thousands of people who will be coming and from that point they'll be working their way north. What we'd like to do is not mix bicycles and pedestrians on that same sidewalk because both volumes of pedestrians and bikes will be swollen if this is the event that we believe it to be.

We're also looking at human beings that are making the smart decisions and how this is managed. The barricades and the barriers that we're putting in place have breaks at every driveway. Humans will be able to use their intelligence to make sure that if people need to have drop off and delivery, they'll allow it. That's the beauty of working with parking control officers who are veterans of these kinds of events.

We also manage to make sure that we can accommodate the cruise activity which is happening on the same weekend.

The real races are next year. These are the pre-races. We have Louis Vuitton from July 4 to September 1, 2013. We have the America's Cup Finals September 7-22, 2013. What shifts for us is that the center of a lot of the activities moves over to Pier 27-29. This is a lot easier of an area to serve by transit.

One of the legacies that we've seen in August that worked so well was the E line. The historic streetcar that was running from CalTrain north along the waterfront, past the Ferry Building all the way to the wharf.

About 8,700 people rode that service meaning that could be a permanent part of San Francisco's legacy if this works out well for moving people from ball games to the Ferry Building, to the wharf. We'll be running that service again in October and we'll be looking at running it in 2013.

We hope to use Clipper card even more comprehensively. Having all of the transit services accessible by one simple card so that a tourist doesn't have to dig in his or her pocket for exact change every time they go from BART to MUNI. We're getting those Clipper cards in large numbers out to people even before they get to San Francisco. Those are some of our campaigns for next summer.

We're tracking the Jefferson Public Realm to make sure that's under construction that it isn't in the way of all the pedestrians that will be coming in 2013, but it actually helps them strategically go from the streetcar terminal to the aquatic park. They have a wonderful pedestrian experience from streetcar to public realm to park.

The Brannan Street Wharf is one of the projects that we've tracked. The Pier 34 Promenade, they all seem to be coming online to make the pedestrian experience, not just convenient and safe, but also more beautiful. We're also looking at completing the Marina to Fort Mason bike/pedestrian trail along Crissy Field because even though the America's Cup headquarters will be at Piers 27-29, the Marina Green will still be programmed in 2013 and we expect visitors there as well.

Here's an image for the 2013 village at Piers 27-29. Here's an image at Pier 30-32, it will become an important destination for people who love to watch the boats being assembled and put in the water. It's going to be happening this October. It'll be happening again in 2013. It's right on that E line and all the metro services that go to the ballpark now. We will be marketing those as options to get there.

We took planning for the Fleet Week very seriously. We realized it was a great opportunity to help Fleet Week and give them all of this advanced planning on transit and transportation options in the marketing. The brochure is both for Fleet Week and America's Cup. We're looking at the T-Third as a great connection to Pier 80 which ends up being very important for people who want to come down and see the ships. Luckily we're augmenting the T-Third service as we normally would do for a Candlestick event. This way we're getting the most efficiency out of that light rail line as it goes by Pier 80.

Sue Hestor- I want to follow up on some comments that I made at the Planning Commission. My office is in Union Square which is one of the other venues that I didn't see included in the presentation. Union Square and Yerba Buena are often booked as overflow areas and viewing areas. We have to be sensitive to the fact that we don't have a lot of people that are trained to

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manage pedestrians. When there is an overflow crowd in Yerba Buena, such as last weekend's Salesforce and when there is construction underway on Stockton Street, the underground subway, the disruptions caused by them back up the street. They back up the street particularly with pedestrians. I would give my right arm if the city would train effective people to control pedestrians. Around Moscone Center last weekend it was horrible because pedestrians were out in force, in such force that they just crossed Market Street when they wanted to. They crossed the adjacent streets when they wanted to, and there was no one there with a whistle blowing to control pedestrians. We have about a year to get up to speed. If we do not use the time well to augment the pedestrian control and as a pedestrian, it helps to have people whistling to get you back on the curb if you need to get back on the curb but on Market Street, it is a horror. Around Yerba Buena Center, it is a horror. While the construction's going on Stockton Street, it's particularly a horror. No one has responsibility as far as I can see, with controlling pedestrians. Peter, that is my plea and you all are in charge of a large part of it. The word has to go out to the entire city family that we need better traffic control and this means a lot of pedestrian control because turn movements are interrupted and busses are interrupted on Market Street a lot.

Commissioner Katz - We certainly have our work cut out for us this coming weekend but my sense is if that works it will make the America's Cup in 2013 look like a piece of cake. As pointed out by the previous speaker, we do have a number of tourists in town and will there be any extra steps taken to try and focus on some of the pedestrian safety issues?

Peter Albert - The Incident Command System is going to be monitoring obviously how well we do with this super event in October. We absolutely have debrief sessions planned for post October, pre 2013 and with Lea Militello making sure that we staff up. I think the big question in staffing up and in positioning. The short answer is yes, we're watching this as lessons learned as a legacy. The great opportunity is how fluid we are in making sure that we're smart about where we think we wanted to dispatch people and where we actually needed them to be. Between now and October that's going to continue to be the focus of our conversation.

Commissioner Woo Ho - Thank you for the presentation. You all have worked very hard and I appreciate the fact that you view this as a living situation because I think we go from experience to experience and we learn. With regards to the cruise ships that will be in port that weekend, are the cruise ships aware and telling their passengers that they're walking into a huge series of events? On the one hand it's positive but on the other hand so they're not shocked when they come in.

Peter Dailey, Deputy Director Maritime - Good questions, we're going to have two large ships, full turns at Pier 35 on Saturday and Sunday. We have reached out to the cruise lines months ago and done a couple of things. A, we informed them of the activity on the waterfront and part of them were, from

the marketing standpoint, they thought it was great because the America's Cup races will be underway and when they depart the big white beautiful cruise ships will be sailing right by the race course so that part was great.

In terms of logistics, Mike Nerney on my staff and John Davey went to the cruise lines and requested that the vessels not be stored in San Francisco so all the large semi-trailers full of food and provisioning that normally would take place in the Embarcadero on those two days has been moved to San Diego on another port of call. We've taken those trucks off the road.

Lastly, they have notified their passengers of the impacts and slightly altered their embarkation and disembarkation schedules to allow for the cleanest work in the ship. Princess, our biggest customer, is on board and they are aware of it. They're excited about it but at the same time they and their passengers are aware.

Commissioner Woo Ho - Their passengers may have the best viewing advantage right from the ship.

Peter Dailey - We also have a team of docents or greeters in San Francisco that greet every ship and hand out information, maps and information to the passengers looking to find where they should go and what's to be seen. We have the Disney Wonder in Port this afternoon, it's here on an overnight call at the fourth, or five I believe and our volunteer passenger docents do hand out maps, point them in the right direction so they can spend their money as quickly as they can.

Commissioner Woo Ho - didn't hear you mention ferries in terms of the extra ferries coming?

Peter Dailey - Good question. There will be plenty of ferries. We're even trying to get the water taxi up and operating for a special service between Pier 1½ and Crissy Field during that race day.

Peter Albert - We are working with WETA and Golden Gate. They've stated that they would have extra service on select lines. Working with Golden Gate for instance, they told me that there probably would be a need for one in Sausalito and one at Larkspur but what they've done is they've shadowed the boat service they've got. That's how they handle special events. They're aware that there will be this greater demand with ferries and what they'll do is just put the boat where there's starting to be an overflow crowd already getting on one line. They have that experience already with special events. WETA is also planning to run an extra service from Oakland/Alameda and an extra service from Vallejo.

Commissioner Woo Ho - Since this is really going to impact Muni, are you putting additional busses as there will be maximum capacity in terms of the routes that go to America's Cup and Fleet Week?

Peter Albert - The document that was provided to the Commission is the updated version of the People Plan and some of the explicit information in there reflects what we're doing for October. It will be revised again after October but we have the opportunity, because the weekend is the time when the bus fleets tend to have more reserve, because they're more heavily used during the weekdays and the commute period. We've already figured out how many busses we need to run to accommodate the extra service that's running roughly between 10:00 a.m. and 7:00 p.m. for America's Cup and Fleet Week.

We have to accommodate the extra busses going out to the Hardly Strictly Bluegrass at Golden Gate Park. We're down to which types of busses and where they're going. We have room with the light rail, which is good because they may be needed for the T-Third and also the ball game. The historic streetcars, we're down to understanding exactly what kind of streetcar can serve the E-Line, how many of them need to be rehabilitated and ready to be running by October, and how that comes on line. The answer is "yes." We have pretty detailed service plan getting us prepared for exactly this kind of extra frequency on these two days.

Commissioner Woo Ho – Is this an express service meaning that you go straight from point to point, it's not the regular stop at every two blocks?

Peter Albert - One line will be served as a limited, it'll be the 47. The opportunity is that people can try what it's like to have a limited service from Civic Center BART where we'll have it stop to the Marina Green area. The other busses, we'll just run basic services as we propose.

We found in August, we tried augmenting other lines with Limited on the 43 and short lines on the 22 and they weren't all that well used and what we found was that Golden Gate Transit, which runs bus service from Marin and Sonoma into San Francisco actually picked up a lot of the people who were trying to get from one part of the northern waterfront to Crissy Field. So they're kicking in extra service and actually giving MUNI more bandwidth to put its busses out to Golden Gate Park.

Commissioner Woo Ho – We're all very excited about this. Considering how people are going to get around, are some of the major hotels around Union Square having any type of other private bus service that will help people get to these venues?

Peter Albert - They certainly are encouraged to do that. The People Plan allows for the private companies to offer shuttle service, and I certainly fielded a lot of interest in that. We're working in advance with the concierge industry; they're helping with the transit brochures. We hope to encourage people to take advantage of the augmented services we've got in place because we thought about destinations as hotels, as hospitality centers where visitors come. At Union Square and Fisherman's Wharf, they probably don't need to run shuttles if they're marketing the services we've already got up and

running. That actually worked out very well in August. BART had one of its top 10 ridership days during the August races. That showed that we could rely on the existing service already scheduled and just use it more efficiently.

Commissioner Woo Ho – You mentioned that there would be satellite parking lots. I wish I had known about that because I had a terrible time trying to figure out where to park. Where are the satellite parking lots? From the parking lots to the actual Marina Green area is there a different type of shuttle that the city is providing?

Peter Albert - The satellite parking lots are around the locations where there's either a transit hub or a bicycle sharing, bicycle rental hub. The locations we've identified include UCSF, USF although they're a little farther from the waterfront. We have Civic Center and Performing Arts identified which is right on the 47 Limited line. We have the downtown garages that are close to the E line and the F line. It's not that we're opening up garages that are closed, we're helping people find these facilities that tend to have capacity on the weekends and then we contacted the garage owners to help them anticipate bigger crowds. They could do it on these augmented transit.

Park Wide is a coalition of bike rental companies that have four stationed areas in San Francisco, Union Square, Justin Herman Plaza and the Marina Green, fortunately which is a great station for this, and Golden Gate Park. The satellite parking lines up nicely with these parking stations so you could park there, pick up a rental bike, ride it to Marina Green, drop it off there and take a cab back, or get a ride back some other way. That gives you that extra flexibility.

Commissioner Woo Ho - You just mentioned cabs. Are the cabs going to be organized in a way that they'll be right around the areas where they expect most people?

Peter Albert - They are. We're looking at having 150 more cabs running than a typical weekend to accommodate the demand.

Commissioner Woo Ho - I also did that for the record just so people could hear as well. I think it's going to be very exciting and I am debating whether or not I'm going to try this and actually get into the mix or stay away.

Peter Albert - Obviously, what we'd love to do is that everyone comes, tries it and comes back with a really positive experience that they're not afraid to come but that they're finding that it's more fun to come in a way that doesn't require parking, gridlock and congestion but also enjoys the beautiful waterfront and the fun services. Ferries and historic street cars, people come from all over the world just to ride these. It's about time that we saw them not just as a tourist attraction but also a fundamental way to get from A to B.

Commissioner Woo Ho - I would imagine that some employers may be encouraging more telecommuting so they don't come into downtown San Francisco at all this week.

Peter Albert - The Transportation Demand Management Program includes telecommuting and giving those employers that heads up and that option to work it out with their employers.

Commissioner Katz - You touched on taxi cabs and it's not just the taxi companies but have we done anything to ensure that taxis will honor calls, for example? We always hear complaints. I know it's not possible to work with them but have we done something to sort of alert or get the message out to cab drivers as well as the added need for their services? That's the first question. Second would be in terms of distributing any bike route maps at the hotels or elsewhere where we have people in town, or even locals, recognizing that there may be some added ease for movement with bicycles? A third point that jumps out at me was during our first World Series that was the only major thing in town, and we had 150,000 people there. The weekend we're referring to, there's going to be a lot of competition. Have we accounted for shuttles to all the different parts of town as well?

Peter Albert - There were two questions, the first one, being about the cabs. MTA luckily manage the cabs as well, so Jarvis Murray for instance has been a regular part of the Incident Command System meetings and he's making sure he's telling his drivers, the cab operators, where we are, where we need them to be. That's how I got that number of 150.

For the public information brochure that includes transit, it does have a select, not the comprehensive bike wide, but what we consider to be the best and most usable for tourists, bike routes clearly put in place. There's so many things that went into the People Plan.

You may have already seen the temporary wayfinding that we hope becomes a permanent part of our infrastructure. We got a lot of mileage out of the great work Dan Hodapp from the Port has done and extended that wayfinding system for pedestrians all the way to Crissy Field, Marina Green. It actually included projections of how long it takes to walk from the Ferry Building to Fort Mason so people get better information.

We're rolling out a similar system for bicycles. You'll see a fledgling bicycle wayfinding system with real-time information about how long it takes to ride from point A to point B.

It's one of the things we'd like to pilot as well. If that works well, it could be much more of a systematic approach to bicycle.

Commissioner Katz - Just the differential this particular weekend with all the Fleet Week activities, the Giants playoffs, the 49ers game.

Peter Albert - One thing we didn't do which I think was smart is we didn't treat it like we were just planning for America's Cup and someone else was going to be planning for Fleet Week and someone else was going to be planning for Hardly Strictly Bluegrass.

Working with the Incident Command System, we put them all on the table. There's a great MUNI bulletin that I looked at last night that talks about all the services that we're marketing, how to get there. The transit brochure that's available now on our website and the OEWD website identifies three hubs.

Civic Center is a hub. If you're trying to go to Hardly Strictly Bluegrass, here's the 5L. If you're going to America's Cup or Fleet Week, here's the 47L. The concierges have that information. The concierges now have the PDF of that. When a guest comes in the morning and says "How do I get to this point?" they press "Print" give them a color copy of that brochure, whether it's bike or transit, shows those hubs. We would like for people to just have a great time in San Francisco that weekend. People are going to sample a little bit of everything and that's exactly what we want them to do.

Commissioner Katz - Thank you and everyone who put so much time and effort into this, it's interesting.

B. Informational presentation on the progress from plans to projects for the 69-acre Pier 70 site, located near the intersection of 20th and Illinois Streets.

Byron Rhett, Deputy Director of Planning and Development – We'll give you a little bit of history on Pier 70 as well as going through the plan itself. Focusing on some of the key developments that we're working on. Introduce the team that is working on Pier 70 and then talk about next steps.

Pier 70 is located just south of Mission Bay as you can see from this graphic, along the water just south of Mission Bay, and just before the now closed Potrero Power Plant.

When the Waterfront Land Use Plan was approved in 1997, the plan included Pier 70. Within the Pier 70 plan and the 69 acres for Pier 70 there was a 12 acre opportunity site that was included in that original plan. What you saw earlier was the 1990s view and you can see in the Mission Bay area how little development there was. The next slide you can see Pier 70 in the foreground how much new development there was.

When the Waterfront Plan was adopted in 1997, it kicked off a development project for Pier 70. We issued an RFP in 2000 for the development of the 12 acre opportunity site. Two developers were selected, AMB and the San Francisco Art Institute but neither of those developments went forward.

In both cases, the developers indicated that the projects weren't feasible, that the area wasn't right. It was too isolated. We then began negotiations in 2004 with the Exploratorium. We initiated discussions with the Exploratorium about moving to Pier 70. Again those negotiations weren't successful for the same reasons. The Exploratorium found the site too isolated and now they've located on the northern waterfront.

Their partners, Wilson Meany Sullivan, raised concerns about the lack of plan for the overall plan for the Pier 70 as one of the drawbacks of moving forward with that development. Between 2001 and 2009 the City Planning Department was developing the Eastern Neighborhoods Plan which included the Central Waterfront which Pier 70 is a part of.

To inform that Eastern Neighborhoods Plan, and to address the concerns that the developers that we had tried to move forward with in early 2000 had raised, we started the process of developing a specific plan for Pier 70 in 2007. It was a three year process that involved extensive community outreach and led to the master plan that you see on the slide.

The main priorities or the highlights or top priorities of that plan related to the historic preservation which featured the historic buildings along 20th Street. A determination that Ship Repair and BAE Systems Shipyard should be a main feature of the plan for the long-term development of Pier 70, that there should be two major open spaces and that there's an opportunity, especially in the vacant lands that are part of Pier 70, to develop a major employment center that could complement the kinds of activities that were already happening in Dogpatch and adjacent Mission Bay.

As part of the plan and as the next step of the plan, we began to take the uses and create subareas that would be the basis of implementation, the phasing plan. The Ship Repair area is primarily in the footprint of the BAE Systems Operation about 15 acres or so but it also includes the large Building 6 along the eastern edge on the water.

The next subarea is the Pier 70 waterfront site which is approximately 25 acres and significantly the most amount of vacant land for new construction as part of the plan. Again, this is an opportunity for new construction as well as commercial employment. The hill area is the land along the undeveloped land along Illinois Street south to 20th Street and that also includes Irish Hill.

The Crane Cove area is predominantly where the Crane Cove Park would be located but it also includes three acres of development land both along Illinois Street north of 20th Street and the land just north of the historic core buildings along 20th Street.

Lastly there is the historic core that features the key historic resources for this Pier 70 facility and they're in this plan. So this subarea calls for the beginning of the phasing and the implementation process for Pier 70.

We initiated the development process, even while the planning was going on because we were able to obtain funds to build the first phase of Crane Cove Park as part of the 2008 Park Bond. We also began a planning process with BAE specifically related to the Ship Repair area. BAE developed a master plan for their area while we were developing the plan for the larger Pier 70 area. With the completion of the plan we began to offer property as we did an RFP or RFQ for waterfront site in 2011. An RFP for the historic core buildings in 2012.

The Port Commission recently approved and staff went forward with shore power improvements for the BAE ship repair area to support their operations and the future increase in their ability to attract larger ships to undergo ship repair. We've begun to discuss with BAE design discussions about new infrastructure for their facilities and how their facilities would relate with new partners that are coming to Pier 70. We're going to revisit their master plan and have it be informed by the plans that we're beginning to see from Orton Development and Forest City.

Regarding the waterfront side and Forest City development, for the past several months, Forest City has been working very hard on the due diligence process for that 25 acres, working with Port staff, city staff and others to understand the various soils and water conditions on the site and other information that will feed into their designs for infrastructure and eventually the plans that they will present to the Port Commission at a subsequent meeting.

They've also begun an extensive outreach program to get feedback from Dogpatch Community and other key stakeholders that will also feed into their planning and the eventual plans that they will make available to the Commission. Their approach builds on the extensive experience that they have in mixed use development throughout the country but specifically related to their efforts in San Francisco and their [5th and Mission] development that has a similar approach and will be a good prototype for the kinds of things they want to do at Pier 70.

The Hill Site has not been offered for development. We're not moving forward with that at this time. It features the remnant of Irish Hill and then two development sites. One at the 20th and Illinois, the southeast corner of 20th and Illinois that's owned by the Port and the other at the corner of 22nd and Illinois what's called a hoedown yard, but a property that's owned by PG&E. Those sites make up the Hill subarea. We believe the eventual development of those sites should be informed by what Forest City in particular and also Orton Development Group does on their developments that are adjacent. Those two development opportunities should work closely with the other partners that we've selected.

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David Beaupre - As Byron mentioned, the Cove Area is on the northern portion of the site and it doesn't include just Crane Cove Park but includes the development parcels along Illinois Street both north of 19th Street, in between 19th and 20th Streets. The key elements of the Cove Area are Crane Cove Park, the development parcels and a new 19th Street that will provide direct access to both the park and the Ship Repair operations. Here's an aerial photograph of the Crane Cove Park area, Illinois Street is the long line on the right, the historic core is the jagged edge on the left along 20th Street and the area next to the ships is the Ship Repair operation. The existing ramp restaurant and boat works to the north, all areas within the context of planning the cove area.

This exhibit illustrates a little bit more detail the planning that we're looking at for both Crane Cove Park and Green, the adjacent development parcels in a brown or beige along Illinois Street and north of the Historic Core. I provide the Commission an update of the Crane Cove Park in May and will be coming back next month with the comments we received from the presentation to the community about the alternative concepts developed.

As a part of the park planning process, we're looking at 19th Street and how we introduce that as a new accessway, coordinating with both ODI and BAE, the operator of the Ship Repair, to make certain that those improvements facilitate their needs as well as the park and the overall Pier 70 needs. It also could become a route to get to the waterfront sites. We're coordinating with Forest City on how the Park develops. How the programming complements the programming of their parks and open spaces and how Crane Cove Park can benefit the historic core buildings.

What's also illustrated in this is as a part of the Crane Cove Park planning, we're looking at how to potentially reorganize the development parcels on Illinois Street. There may be an opportunity to reconfigure them and relocate them. We're coordinating with our partners on each of those.

We went to the Commission with alternative concepts in May 2012, presented them to the community in June and July, are going to come back to the Commission with an update of what we heard from the community in October and get back out in front of the Commission and the community with a preferred draft concept of the park master plan with the hopes of getting it into construction in 2014. Some of that work will also help us understand the timing of the adjacent development parcels within the cove and 19th Street.

This is one of the concepts again that you've seen before that illustrates 19th Street, a concept for Crane Cove Park, the adaptive reuse for slipway four and some of the adjacent development parcels.

Kathleen Diohep, Planning and Development - David Beaupre, for the last decade, has immersed himself in Pier 70 as the planner. I've led up the development side efforts.

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When we looked at the 20th Street historic core project, we realized we needed to move forward, these buildings are falling down. We got extraordinary interest and went through a process. The Orton team presented the item in July 2012. The first thing that I wanted to point out is that this is drawn very tight to the buildings because we knew we needed someone who could figure out that box but there's a lot of coordination that's going to be needed.

Eventually there'll be a reopening Michigan Street. We're going to have coordination going into the cove area to the north, there'll be development efforts. Then connecting in the area to the south and east, that abuts to the waterfront site and there'll be a flow of people once we're out there. Ten years from now, when this is all done, this will be a whole new neighborhood and people will walk seamlessly from one place to the other but a lot of our work in the near term will get us there.

In July 2012 the goals for the project was presented to the Port Commission. The goal of the work is to fix and to save these buildings. The work that's happened since July with the Orton Development Team other than working, negotiating hard with us on the business terms you'll learn in more detail next month but has been in focusing down on what the uses will be.

North of 20th Street, there were two amazing historic office buildings to bring back to meet the office demand that we see growing in Dogpatch and the community. The Powerhouse building will be a restaurant or some other commercial active use. South of 20th Street, the focus is to bring these buildings back as that funky boutique industrial that Dogpatch is all full of at the American Can and in other places. Makers, users, the type of things and a way to save these buildings and get them back in use with as light a hand as possible on the historic structure.

What our hope is when that is all said and done, there'll be 4-500 people working in that set of buildings. We're going to be filling the streets again probably with more women in the mix than these photos show from the 1940s. We're excited and that's how the 20th Street core fits in. .

Byron Rhett - We've talked a little about the history and the planning process and drilled down a bit on how we're moving forward, some of the development opportunities. I want to take a moment to talk a little bit about the team structure and how we're going to be able to move forward with this.

On May 29, 2012 the Office of Economic and Workforce Development was designated as a lead negotiator for the waterfront site, the largest and most complicated of the development opportunities at Pier 70. This decision was made to bring a focus on the mayor's vision for the waterfront at Pier 70 but it also was an opportunity to bring a higher priority and focus on Pier 70 and waterfront development in general.

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Also it was an opportunity to bring more staff to focus on these projects and be able to keep them moving on schedule and in an expedited fashion. I wanted to mention the new team that's working on the waterfront plan and the new expertise that's been brought to this effort. Kelly Kahn, she's recently joined the office of economic and workforce development with over 15 years of planning and development experience. She is the co-project manager for the waterfront site along with Brad Benson. They will be managing the waterfront project but also bringing a lot of their expertise to the Pier 70 wide effort. They're going to be assisted by Emily Lesk who's also with the Office of Economic and Workforce Development.

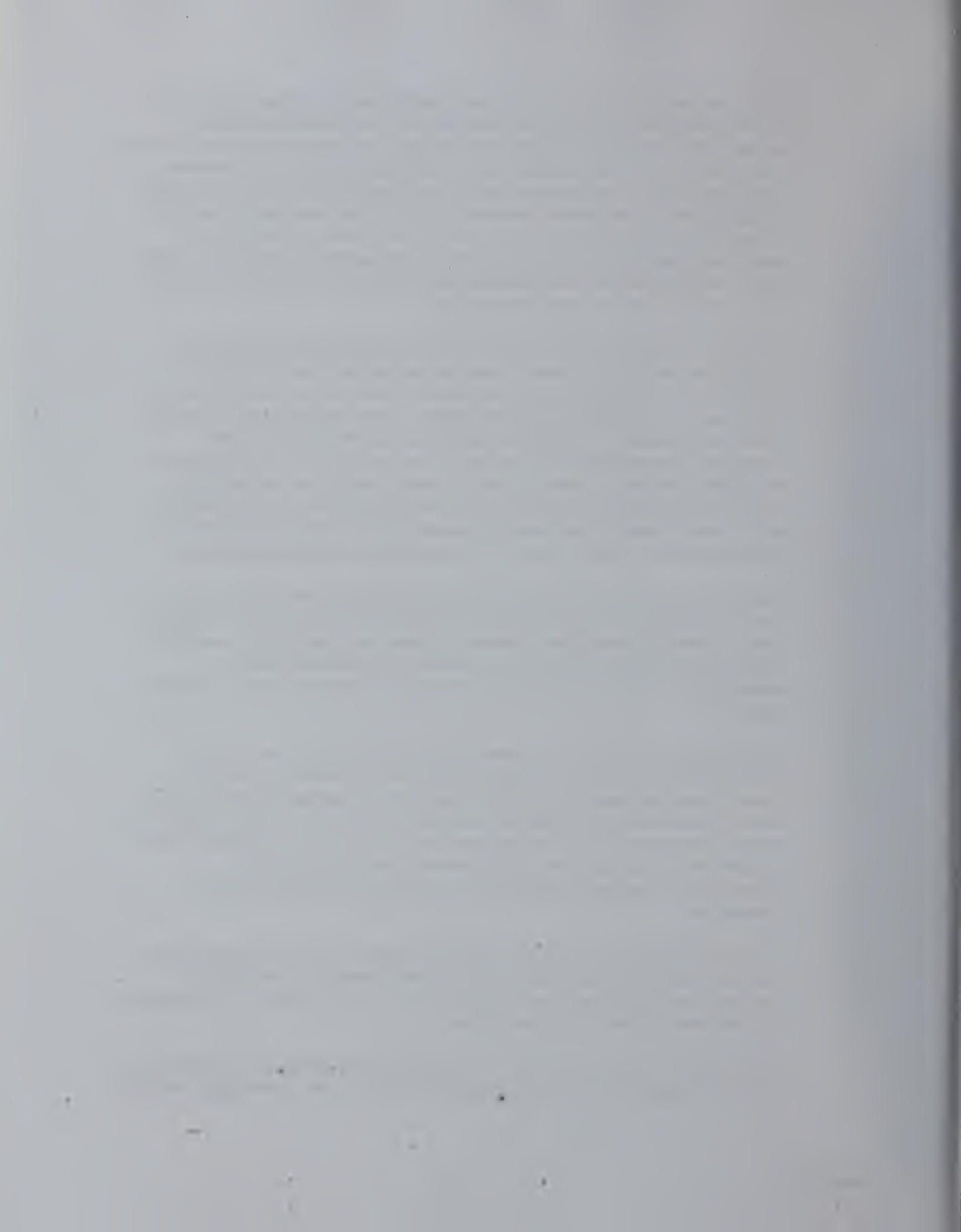
In closing, I wanted to talk about some of the areas that will benefit from coordination with city departments and the ability that economic and workforce development can bring and make it easier to work with other city departments. One of the key issues related to the development of Pier 70 is historic preservation. Port staff has been working on the draft of the nomination, an application so that Pier 70 can eventually become added to the National Registry of Historic Places. That's going to involve working closely with the planning department, the historic preservation commission and the state historic preservation office and others. Obviously OEWD will play a key role in bringing those city departments into those negotiations.

Public trust, Pier 70 is sort of a patchwork of trust and non-trust lands that will need to be realigned to make for implementation of the plan. There was a State Legislation passed that creates a pathway but that's going to involve in addition to Port staff, city attorney, states land commission staff, our development partners. There will be important coordination efforts that will happen.

Infrastructure, financing, we've been working since 2006 under director Monique Moyer and with Brad Benson's support on developing various financing tools for developing public infrastructure, particularly infrastructure financing districts and the ability to capture tax increments. To put those tools into play is going to involve working closely with the city's budget and finance departments and departments such as the controller's office and infrastructure developers within the city staff such as the public utilities commission.

We believe that with the Port staff already assigned, the new implementation team that's been described and also under the direction of the Office of Economic and Workforce Development will be able to address the challenges that we'll face in those areas and others.

Next steps for Pier 70 - We're working closely with Orton Development Group on a term sheet and we hope to present that at the next Commission meeting.



Forest City has been doing a lot of due diligence working with the community, and in November or December they will be presenting to the Commission their concept for the waterfront site and start the review process.

As David indicated, we're moving forward with the plans for the first phase of Crane Cove Park. We are down to two alternatives and we'll soon be back to the Commission with a preferred alternative that moves those plans forward.

James Madsen with Orton Development - We're working on the historic portion of the development and I wanted to take this opportunity to thank the Commission again for the opportunity to work on these buildings, to affirm that we are absolutely committed to getting these buildings up and running successfully as soon as possible and we look forward to presenting more on what we've done to the Commission soon. We wanted to thank staff for all of their incredible support getting us to this point thus far, especially Kathleen who's spent a lot of time working on weekends and very early and we look forward to working with the other partners on the project and OEWD and the rest of the Port to get these buildings done.

Commissioner Katz - I'm curious about the coordination both broadly but particularly with respect to the infrastructure. For example, if we have Forest City at one site and they're getting their entitlements and they have their ideas, we want to make sure that we have all of the requisite PUC and other utilities and all of the needs supplied in keeping with the plans. Are we doing something that will coordinate all the different parties that you've mentioned?

Byron Rhett - Yes. Brad's been leading a lot of these discussions, we've been going around to the various city departments who play a role in infrastructure development or transportation and sharing with them as much as we know now of the plans and the approach the various developers are taking to the site. We're also sharing with them the plan itself, what uses we have in mind, the density of development.

We're working with the planning department in that level of coordination. We are bringing the information we have to various departments, meeting and encouraging them. In the case of Orton, we know a bit more about their development. We're encouraging them to begin meetings between the developer and city staff.

Kelly Kahn, as it relates to the waterfront site, has already begun to have discussions and meetings with the planning department in preparation for Forest City's plan that we haven't seen yet but we have enough sense of the directions that they're going in that we can begin to start that dialogue between the planning department, Port staff, OEWD and the developers. That coordination is going on.

Commissioner Woo Ho - Clearly Pier 70 is a very important development for the port. It's obviously a combination of things - open space, the historic

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building and the Forest City development so we'll be watching it and hearing the progress reports and how we go forward with a lot of interest.

Commissioner Brandon - This is a very exciting project and there is going to be a lot of work that has to go into it. I want to make sure that we take BAE into consideration and make sure that whatever we're doing there they are in line with because our ship repair is very important to us. It's going to be a whole new community and I'm looking forward to working with everyone.

- C. Request approval of a Final Mitigated Negative Declaration and Addendum, and the Jefferson Street, Phase 1 Project, authorizing the Department of Public Works (DPW) to construct the street and sidewalks of a two block section of Jefferson Street, between Jones and Hyde Streets; the relocation of one JC Decaux advertising kiosk; and agreements with DPW and Municipal Transportation Agency as necessary to carry out tree removal permitting, and changes to on-street parking and traffic regulations on Jefferson Street between Powell and Hyde Streets. (Resolution No. 12-73)

Dan Hodapp, Planning and Development Division - Port staff is seeking Commission approval for the construction of two blocks of Jefferson Street, which is the first phase of a five block project to reconstruct this street. This report focuses on these two blocks. The remaining blocks could be similar but would be subject to further approvals.

The purpose is to improve the quality of the pedestrian experience in Fisherman's Wharf, enhance the business environment while also providing for balanced transportation access.

The Jefferson Street project is an effort led by the City Planning Department who worked with the Fisherman's Wharf Community Benefit District and the larger community where many issues were addressed and shaped the final project. Neil Hurshowy, the project manager from city planning is here and available to answer any questions. The city's Department of Public Works is the department's sponsor to implement the construction and John Thomas of DPW is also here today.

The city is supplying \$5 million to fund the work. From 2008 to 2010 the city planning department completed the Fisherman's Wharf Public Realm Plan which includes the proposed Jefferson Street Plan. Jefferson Street is the main commercial spine of Fisherman's Wharf. Its east end is near Pier 39 at Powell Street and extends westward five blocks next to Hyde Street. Port jurisdiction includes the entire street and sidewalk, all property to the north side of the street and up to the building faces on the south side.

The Jefferson Street plan is bold. For the two blocks, the plan calls for taking a standard 37 foot width street with two travel lanes and parking on each side and narrowing the roadway to 24 feet. Jefferson would also be changed from one way to two way making it easier to understand and reach destinations.

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The section shows it as such that the street would not have parking but could accommodate informal passenger loading and service loading which would occur during the morning hours. Bicycle access would also improve as they would gain two way access by using the street and mixing with slow-moving vehicles.

The existing sidewalk on the north side of the street that is now both a sidewalk and cafe space would convert to solely a cafe zone if desired by this Commission, subject to further lease negotiations. The street would take on a distinctive appearance to further a Fisherman's Wharf identity with scored concrete paving in the roadway and unique light fixtures.

The planning department, Port and CBD held meetings this summer with area business including the Fisherman's Wharf Restaurant Association and developed a traffic monitoring program to ensure that adequate access would be maintained to area businesses. The program includes limiting vehicle access to the Powell Street intersection during peak weekend hours in the summer. Having traffic control officers at two key intersections during those hours and conducting a three year monitoring program to allow for feedback and changes.

Regarding revenue impacts to the Port, the project would remove 33 metered parking spaces from the two blocks resulted in an estimated annual meter and fine loss of about \$219,000. To make up for this amount, business activity would have to increase by 2.9% at the Wharf.

Port staff is also seeking Commission authorization to allow DPW to manage the tree removal permitting process for this project, consistent with the city's public works code. There are currently 25 street trees located on the south side of Jefferson between Jones and Hyde Streets that in an earlier version of the plan were proposed for removal. During the public review process an individual appealed and requested a DPW administrative hearing. The plan has since been revised to maintain 21 of the 25 trees and is now supported by the appellate and the community.

The project also would require relocation of a JC Decaux advertising kiosk from the southside walk between Leavenworth and Hyde Streets to across the street to the north side walk of that block which is 27 feet wide. Pursuant to the existing JC Decaux contract, the Port Commission must review and approve locations of new and public toilets and kiosks within its jurisdiction.

The project would require the relocation of up to nine street artists locations along Jefferson Street between Hyde and Jones during construction and thereafter. The real estate staff is actively working with the street artist program director and artists to identify temporary and post construction locations on and off Port property.

Regarding the schedule, the goal is to have construction completed on the two blocks by June 2013 in time for America's Cup events while also maintaining access to businesses during this time. Construction bids are due on October 3, 2012 and construction could begin in early December if DPW is able to reach agreement with area businesses to suspend the holiday moratorium on construction. Otherwise construction would start in early January.

The project needs about 160 days of construction so the schedule is very tight. PG&E will begin replacing a gas line on one of the two blocks in mid-October, following the earlier described events that will be taking place in early October to make way for the roadway construction. The requested actions for Port Commission's approval are as follows:

- (1) Approve the final mitigated negative declaration and addendum and the Jefferson Street phase one project authorizing the Department of Public Works to construct the street and sidewalks of a two block section between Jones and Hyde Streets. Please note that a substitute final mitigation monitoring and reporting document was provided to the Commission today.
- (2) Approve the relocation of one JC Decaux advertising kiosk.
- (3) Allow the Port's Executive Director to enter into agreements with DPW and the SF Municipal Transportation Agency to carry out tree removal permitting and changes to on street parking and traffic regulations on Jefferson Street between Powell and Hyde Streets.

Troy Campbell, Fisherman's Wharf Community Benefit District - With any project of this kind, we can all agree that outreach is extremely important in making sure that the community is aware of what is going on. Starting in January 2012, the Fisherman's Wharf CBD coordinated one-on-one meetings with businesses along Jefferson Street from Hyde to Jones Street with City Planning. In addition we also held community meetings with over 100 attendees each. Discussed at the meetings were the details of the updated Jefferson Street design, construction timelines, construction mitigation plans and solicited feedback from the community members, many of which were incorporated into the final design.

To date the CBD has coordinated a total of seven stakeholder meetings and three community meetings about this project. In addition CBD has built a website, it's called NewJeffersonStreet.com and is jointly managing with DPW. The website not only gives details about the plans, provides a FAQ section but is also an alert mechanism to let neighbors know about upcoming meetings and we will continue to do this through the construction process. Currently it has over 70 people signed up including each Port tenant on the northern side of Jefferson Street between Hyde and Jones.

The Fisherman's Wharf CBD is holding regular meetings with DPW, PG&E and the Port of San Francisco starting in October every other week to keep people abreast on the construction process and give them a forum to contact people if they have any problems. The CBD is committed to continued outreach assisting stakeholders with information about the project and will work with city agencies to mitigate the impact on business during construction. The CBD firmly supports this project and requests your action today.

Commissioner Katz - I would like to thank your efforts for saving the street trees as the author of the Street Tree Preservation Legislation I know it can be onerous, but I'm glad to see it worked. You didn't mention, as the sidewalk is widened will we be able to get any revenue from stands that will be permitted on that widened sidewalk area? Has that been contemplated?

Dan Hodapp - The sidewalk is being widened on the north side of the street. Currently there is a mix cafe zone and sidewalk and that area could be expanded into a solely a cafe zone if the Commission approves it.

Commissioner Katz - I was thinking more like the food trucks or the carts. One of the pictures showed an ice cream cart for example. Do we get any revenue if we allow carts like that to operate there?

Dan Hodapp - There are locations along these two blocks, little pullouts that do have a little bit of extra space, particularly as you get closer to the west end and we could explore doing carts at that. The pedestrian volumes are so high on Jefferson Street that I would recommend that the Port and Commission be selective as to those locations that are done. There are some locations for instance near where we're posing the JC Decaux kiosk and a little bit to the east of that outside of the fuel tank area that there is extra space and might very well accommodate such a use.

Commissioner Katz - I was curious because one of the pictures had it. In terms of the lanes, it'll be mixed use vehicle traffic that includes bicycles. Will we have any striping for bicycle lane or is it going to be slow enough that the bicycles won't have a separate lane?

Dan Hodapp - The carriageway becomes 24 feet and that is two-way so that is two 12 foot lanes. The speed is dictated by the slowest moving user on the street so bicycles will not have a separate lane. They will be out in traffic and the narrowness of it will encourage people to move slowly. Also, casual drop off will encourage slow movement. Loading will be restricted to morning hours, however casual drop off of guests will occur all day long and to area businesses. We expect the street to operate at a very slow speed. It's a street without a through circulation, so it will accommodate that very well. However, it is not a separate dedicated bikeway. It's one where everyone mixes in a slow street.

Commissioner Woo Ho - We appreciate that this has been well vetted in the community and it sounds like this has been planned for a long time. I'm glad to see that it's in front of us today.

ACTION: Commissioner Brandon moved approval; Commissioner Katz seconded the motion. All of the Commissioners were in favor. Resolution No. 12-73 was adopted.

- D. Request authorization to issue a Request for Proposals (RFP) to rehabilitate and re-tenant the Pier 38 bulkhead building located at Delancey Street and The Embarcadero. (Resolution No. 12-74)

John Doll, Planning and Development - This item is a follow-up to an information item that was presented two weeks ago regarding a staff recommendation for a competitive selection process for the Pier 38 rehabilitation project.

At that time, Port Commissioners provided input with this selection process. As noted in the staff report, Port Commissioners inquired whether there was a way to rehab and retenant the bulkhead building quickly but also develop a way to consider developer qualifications for a long term plan for the rest of Pier 38. There was also a concern whether there was a way to improve the physical appearance of the Pier 38 Pier shed. Finally, there was an inquiry whether or not it was possible to engage two developers, one for the short term bulkhead project and one for the longer term redevelopment of Pier 38.

In response to this input, staff has listened and recommends the following Pier 38 project objectives that would be inserted into the RFP. One, top priority would be to quickly repair and retenant the Pier 38 bulkhead. Two, a respondent to this RFP process may submit as a master tenant to accomplish the repair and retenanting of the bulkhead building with no obligation to address a long term redevelopment scheme for Pier 38. Under this master developer approach, this would allow an entity to propose a plan that would not trigger pure seismic upgrade and these leases typically are approximately 10 years in duration.

Alternatively, a respondent to the RFP may submit as a master developer which would allow a development entity to repair and retenant the bulkhead first, and then demonstrate their qualifications to undertake the long term redevelopment of Pier 38 if deemed feasible. Under this approach the respondent will have to implement the repair of the bulkhead building first and then demonstrate their qualifications to redevelop all of Pier 38. If deemed feasible the Port Commission would consider such long term pier development proposal at a later time.

These leases typically are 50 years in duration. With regards to the physical appearance of the pier shed, the master tenant would have to be responsible to make improvements to the bulkhead. Depending on the amount of pier

1880. 1881. 1882. 1883. 1884. 1885. 1886. 1887. 1888. 1889. 1890. 1891. 1892. 1893. 1894. 1895. 1896. 1897. 1898. 1899. 1900.

1901. 1902. 1903. 1904. 1905. 1906. 1907. 1908. 1909. 1910. 1911. 1912. 1913. 1914. 1915. 1916. 1917. 1918. 1919. 1920.

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2021. 2022. 2023. 2024. 2025. 2026. 2027. 2028. 2029. 2030. 2031. 2032. 2033. 2034. 2035. 2036. 2037. 2038. 2039. 2040.

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2101. 2102. 2103. 2104. 2105. 2106. 2107. 2108. 2109. 2110. 2111. 2112. 2113. 2114. 2115. 2116. 2117. 2118. 2119. 2120.

shed proposed, improvements to the pier head physical appearance, under the master developer approach, they would be responsible for making improvements for the entire Pier 38 pier shed.

The submittal deadline is expected to be in February 2013. We would evaluate these proposals in the springtime and get back to the Commission sometime in the summer.

Staff recommends that the Port Commission authorize and direct staff to issue an RFP to rehab and retenant the bulkhead building of Pier 38 while possibly qualifying an entity to consider the long term reuse. We would like to issue this RFP sometime in October and the submittal deadline would be in February 2013.

Commissioner Katz - I appreciate your incorporating some of the issues that we raised.

Commissioner Woo Ho - I took a tour of Pier 38 yesterday so I have a better appreciation of some of the issues and glad to see that we are incorporating some of them. While we have an estimate on what the seismic upgrade is, we thought we might get a little more firm analysis so that as we get the RFP respondents we have a better idea of what's involved with the seismic upgrade so we're all dealing with the same facts, both in terms of the respondents and ourselves. In that way we can come to a more intelligent decision once we hear what the responses are. Standing there and seeing where Pier 30/32 is, there's a lot of work to be done. There are two or three illegally parked or docked ships at Pier 38 still to get resolved. There are a lot of issues related to what we have to resolve. Pier 38 is in a fantastic location relative to what we expect to happen. It is adjacent to the proposed arena and then further down is the South Beach Marina, which is an attractive neighbor on the other side. Somehow I think there is great potential in this and we just have to figure out how to get there in the short and the long term. This RFP will generate some interest and some ideas and some creativity. There's also going to be public trust use issues to address. We know that this is complicated in the long run but it's worthwhile to pursue.

ACTION: Commissioner Brandon moved approval; Commissioner Katz seconded the motion. All of the Commissioners were in favor. Resolution No. 12-74 was adopted.

10. REAL ESTATE

A. Informational presentation on AMB Pier One LLC Pier 1 Energy Efficiency and Solar Array Project.

Jay Edwards, Senior Property Manager – This is an informational presentation on the Pier 1 Energy Efficiency and Solar Upgrades. The project sponsor is Prologis through its AMB Pier 1 LLC. Prologis is the master

lessor, the Port's sublandlord as well as a tenant in the project. I'm going to give you a project overview and Rich Chen, the program manager for the GreenFinanceSF, will provide you an overview of this very innovative project that we're excited to participate in.

The project overview consists of three components which Prologis has been actively working on to design, finance and implement energy efficiency upgrades and initiation of a rooftop solar array to Pier 1. The \$1.6 million project consists of lighting upgrades, retrofitting, retrocommissioning of the HVAC system and a 200 kilowatt rooftop solar panel array that will directly serve the electrical needs of the building occupants.

The project will be financed through GreenFinanceSF by the city issuing a \$1.4 million dollar bond. The bonds are repaid through special tax assessment against the specific parcel over a 20 year term. The owner, which is the Port, must opt in to the special finance tax district, however, the special taxes are secured by the tenant's leasehold interest. The Port in return would pay it's pro rata share of the special taxes which is approximately 35% and that was derived by the amount of space that the Port occupies as opposed to the project overall which are estimated to be approximately \$100,000 annually.

The sublease agreement between the Port and Prologis provides for the reimbursement of special taxes levied against its tenants especially to reduce operating expenses. The project sponsors, Aaron Brinkley, Prologis director of sustainability, and Andrea Cordova, property manager of Johnson Controls are also here today. They prepared extensive models on the energy savings and their estimates through the sustainable improvements will be approximately \$100,000 annually so that equates to the cost of the special tax assessment, so that's in the first year.

The projections, however, take into account energy cost inflation which they've run a very modest projection as noted in the staff report and the cumulative effect of this energy cost inflation over the 20 year project would be a savings to the Port after our reimbursement of the special taxes of almost \$265,000. This is very significant and we think these are achievable and measurable too.

In summary, there is no upfront expense to the Port to participate in this project and Prologis through a letter of agreement has, or will, agree to be responsible for any cost overruns. If there's any vacancies, they'll pick up that pro rata share of the vacancies. Any bond financing cost extras will be covered by them. There's a lot of upside for the Port and we've limited the downside.

Rich Chen, Department of the Environment - GreenFinanceSF is a PACE program. PACE stands for Property Assessment Clean Energy. Currently,

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DEPARTMENT OF CHEMISTRY
CHICAGO, ILLINOIS 60637

TO THE HONORABLE CHAIRMAN
OF THE BOARD OF TRUSTEES
THE UNIVERSITY OF CHICAGO
CHICAGO, ILLINOIS 60637

YOUR LETTER OF THE 15TH INSTANT
HAS BEEN RECEIVED AND THE
MATTER IS BEING CONSIDERED
BY THE BOARD OF TRUSTEES
AT ITS MEETING ON THE 22ND INSTANT.

THE BOARD OF TRUSTEES HAS
THE HONOR TO INFORM YOU
THAT IT HAS DECIDED TO
GRANT THE REQUEST FOR A
SPECIAL FELLOWSHIP FOR THE
YEAR 1964-1965.

THE FELLOWSHIP WILL BE
FOR THE YEAR 1964-1965
AND WILL BE PAID IN
THREE INSTALLMENTS OF
\$1,000 EACH.

THE FELLOWSHIP IS TO BE
PAID TO YOU AT THE
UNIVERSITY OF CHICAGO
AND WILL BE PAID IN
THREE INSTALLMENTS OF
\$1,000 EACH.

Yours very truly,
THE CHAIRMAN
OF THE BOARD OF TRUSTEES
THE UNIVERSITY OF CHICAGO
CHICAGO, ILLINOIS 60637

there are 28 states that have passed specific statewide enabling legislation to allow for this type of program to happen.

PACE solves the upfront cost barrier to making existing buildings more energy efficient and installing more renewable energy. We are very excited to be a part of this project working with a very great team, the owner, the contractor, the port, and SFPUC. It's been a great public private partnership. A lot of people have been mobilizing around this particular project. This will be the first commercial PACE project that would use 100% private capital to finance the improvements under the structure. It's going to be a great demonstration project for programs that are launching all over the country. This is a great opportunity to showcase San Francisco's leadership and the Port around this innovative mechanism and show that it works.

Jay Edwards - As Rich mentioned, this is the first PACE bond issued by the city of San Francisco, the first California PACE project to receive QECB interest rate support, the first privately owned net metered solar project in SFPUC and unique public private collaboration between the city, the port, PUC, Prologis, Johnson Controls and we're very excited to participate in this project.

Commissioner Katz – I am very excited about this project. As a big proponent of both solar power and energy efficiency, I can't think of a better opportunity for us particularly to be able to showcase the public private partnership available here. Thank you both for all the hard work on this.

Commissioner Brandon - Ditto

Commissioner Woo Ho - We all feel the same so thank you very much.

11. NEW BUSINESS

12. PUBLIC COMMENT

13. ADJOURNMENT

ACTION: Commissioner Katz moved approval to adjourn the meeting; Commissioner Brandon seconded the motion. All of the Commissioners were in favor.

Port Commission President Woo Ho adjourned the meeting at 5:27 p.m.

